

**NEW ISSUES
BOOK ENTRY ONLY**

RATINGS:
G.O. Notes & G.O. Bonds
(FSA Insured-All Maturities)
RANs
(See "RATINGS" herein)

Fitch	Moody's	Standard & Poor's
"AA+"	"Aa2"	"AA"
"AAA"	"Aaa"	"AAA"
"F1+"	"MIG 1"	"SP1+"

In the opinion of Bond Counsel to the City, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the G.O. Notes, G.O. Bonds and the RANs (the "Offered Obligations") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein for a description of certain other provisions of law, which may affect the federal tax treatment of interest on the Offered Obligations.) Interest on the Offered Obligations is not exempt from State of Wisconsin income tax or franchise tax.

CITY OF MILWAUKEE, WISCONSIN

**\$66,235,000 GENERAL OBLIGATION SHORT-TERM
PROMISSORY NOTES, SERIES 2004 N2**

**\$24,200,000 GENERAL OBLIGATION
CORPORATE PURPOSE BONDS, SERIES 2004 B1**

**\$66,000,000 REVENUE ANTICIPATION NOTES
SERIES 2004 R3**

The General Obligation Short-Term Promissory Notes (the "G.O. Notes") and the General Obligation Corporate Purpose Bonds (the "G.O. Bonds") are direct general obligations of the City of Milwaukee, Wisconsin (the "City"), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount, and are issued for the purpose of financing various public improvement projects and fiscal requirements of the City.

The G.O. Notes and G.O. Bonds will be dated the Date of Delivery (hereinafter defined), will bear interest payable semiannually on February 15 and August 15 of each year, commencing August 15, 2004, at the rates, and will mature on February 15 in the years and amounts, as detailed on the following page. The G.O. Notes are not subject to optional redemption. The G.O. Bonds are subject to optional redemption on any date on or after February 15, 2014, as provided herein.

The Revenue Anticipation Notes (the "RANs") are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no separate debt service tax shall be levied to pay the RANs or the interest thereon. The RANs will be dated the Date of Delivery, and will be payable on May 5, 2005. Interest shall be payable at maturity. The RANs are not subject to optional redemption.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notices of Sale dated April 8, 2004 and are being issued subject to the legal opinions of Hawkins Delafield & Wood LLP, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notices of Sale. Delivery of the Offered Obligations will be on or about May 6, 2004 (the "Date of Delivery") in New York, New York.

The scheduled payment of principal of and interest on the G.O. Notes and G.O. Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the G.O. Notes and G.O. Bonds by FINANCIAL SECURITY ASSURANCE INC.



THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:

W. Martin Morics, City Comptroller and Secretary to Public Debt Commission
Room 1017, Zeidler Municipal Building, 841 North Broadway - Milwaukee, WI 53202 - Phone (414) 286-2301

April 21, 2004

MATURITY SCHEDULES

\$66,235,000 G.O. SHORT-TERM PROMISSORY NOTES, SERIES 2004 N2

The G.O. Short-Term Promissory Notes, Series 2004 N2 will be dated the Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of such year, commencing August 15, 2004, and will mature on February 15 in the years and in the amounts shown below. The G.O. Notes are not subject to optional redemption.

Maturing (February 15)	Amount	Interest Rate	Yield	Maturing (February 15)	Amount	Interest Rate	Yield
2005	\$14,840,000	2.00%	1.22%	2010	\$5,770,000	5.00%	3.08%
2006	8,295,000	5.00	1.75	2011	5,255,000	5.00	3.37
2007	6,180,000	5.00	2.04	2012	4,655,000	5.00	3.60
2008	5,975,000	5.00	2.46	2013	4,695,000	5.00	3.76
2009	5,835,000	5.00	2.78	2014	4,735,000	5.00	3.92

\$24,200,000 G.O. CORPORATE PURPOSE BONDS, SERIES 2004 B1

The G.O. Corporate Purpose Bonds, Series 2004 B1 will be dated the Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of each year, commencing August 15, 2004, and will mature on February 15 in the years and in the amounts shown below. The G.O. Bonds are subject to optional redemption on any date on or after February 15, 2014, as provided herein.

Maturing (February 15)	Amount	Interest Rate	Yield	Maturing (February 15)	Amount	Interest Rate	Yield
2015	\$4,140,000	5.00%	4.05%	2019	\$4,390,000	5.00%	4.45%
2016	4,195,000	5.00	4.14	2020	1,405,000	5.00	4.52
2017	4,260,000	5.00	4.23	2021	1,485,000	5.00	4.62
2018	4,325,000	5.00	4.35				

\$66,000,000 REVENUE ANTICIPATION NOTES, SERIES 2004 R3

The RANs will be dated the Date of Delivery, and will mature on May 5, 2005 without the option of prior redemption. Interest will be payable at maturity.

Amount	Coupon	Yield
\$46,000,000	3.00%	1.20%
20,000,000	3.00	1.22

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. These securities have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (the “City”), located in Milwaukee County, Wisconsin, and to set forth information concerning the following securities issued by the City:

\$66,235,000 General Obligation Short-Term Promissory Notes, Series 2004 N2 (the “G.O. Notes” or the “Notes”)

\$24,200,000 General Obligation Corporate Purpose Bonds, Series 2004 B1 (the “G.O. Bonds” or the “Bonds”)

\$66,000,000 Revenue Anticipation Notes, Series 2004 R3 (the “RANs”)

The G.O. Bonds, the G.O. Notes and the RANs shall be collectively referred to herein as the “Offered Obligations.”

The following summary statement is furnished solely to provide limited introductory information regarding the City’s Offered Obligations, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the Appendices hereto.

SUMMARY STATEMENT-THE G.O. NOTES

The following material is supplemented, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$66,235,000 General Obligation Short-Term Promissory Notes, Series 2004 N2.

Dated Date: The Date of Delivery, which is anticipated to be May 6, 2004.

Amounts and Maturities:

G.O. Notes

Maturing (February 15)	Amount	Maturing (February 15)	Amount
2005	\$14,840,000	2010	\$5,770,000
2006	8,295,000	2011	5,255,000
2007	6,180,000	2012	4,655,000
2008	5,975,000	2013	4,695,000
2009	5,835,000	2014	4,735,000

Interest Payment Dates: Each February 15 and August 15 commencing August 15, 2004.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Notes are being issued to finance various public improvement projects and fiscal requirements of the City.

Security: Principal and interest on the Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

Form of Issuance: The Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein).

Tax Status of Interest:	Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See “TAX STATUS” herein).	
Redemption Feature:	The Notes are not subject to redemption prior to maturity.	
Official Statement:	The City will provide the original purchaser of the G.O. Notes and G.O. Bonds with up to 100 copies, of this Official Statement, within seven business days following the award of the G.O. Notes.	
Professionals:	Bond Counsel:	<p>Hawkins Delafield & Wood LLP New York, New York</p> <p>Quarles & Brady LLP Milwaukee, Wisconsin</p>
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Delivery:	Delivery of the Notes will be on or about May 6, 2004 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.	
Reoffering:	The public reoffering price(s) or yield(s) of the Notes as set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City’s contractual obligation arising from its acceptance of the successful bidder’s proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See “RULE 15c2-12” herein).	

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SUMMARY STATEMENT-THE G.O. BONDS

The following material is supplemented, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$24,200,000 General Obligation Corporate Purpose Bonds, Series 2004 B1.

Dated Date: Date of Delivery, which is anticipated to be May 6, 2004.

Amounts and Maturities: **G.O. Bonds**

Maturing (February 15)	Amount	Maturing (February 15)	Amount
2015	\$4,140,000	2019	\$4,390,000
2016	4,195,000	2020	1,405,000
2017	4,260,000	2021	1,485,000
2018	4,325,000		

Interest Payment Dates: Each February 15 and August 15 commencing August 15, 2004.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for the purpose of financing various public improvement projects of the City.

Security: Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

Form of Issuance: The Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Tax Status of Interest: Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein).

Redemption Feature: The Bonds are subject to optional redemption on any date on or after February 15, 2014, as provided herein. (See "REDEMPTION PROVISIONS" herein.)

Official Statement: The City will provide the original purchaser of the G.O. Notes and G.O. Bonds with up to 100 copies of this Official Statement within seven business days following the award of the G.O. Bonds.

Professionals:

Bond Counsel:	Hawkins Delafield & Wood LLP New York, New York
	Quarles & Brady LLP Milwaukee, Wisconsin
Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin

Delivery: Delivery of the Bonds will be on or about May 6, 2004 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price(s) or yield(s) of the Bonds as set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12" herein).

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SUMMARY STATEMENT-THE RANs

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$66,000,000 Revenue Anticipation Notes, Series 2004 R3.
Dated Date:	The Date of Delivery, which is anticipated to be May 6, 2004.
Maturity:	May 5, 2005.
Principal:	\$66,000,000
Interest Payment Dates:	Payable at maturity. Rate per annum, calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The RANs are issued for the purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments ("State Aid Payments").
Security:	<p>The City has pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the RANs. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the RANs and, which are not otherwise pledged or assigned. (See "The RANs - SECURITY FOR THE RANs" herein).</p> <p>The RANs are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the RANs or interest thereon.</p>
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the RANs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(1)(a) of the Wisconsin Statutes.
Form of Issuance:	The RANs will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the RANs. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the RANs is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Interest on the RANs is not exempt from State of Wisconsin income or franchise tax (See "TAX STATUS" herein).
Redemption Feature:	The RANs are not subject to redemption prior to maturity.
Official Statement:	The City will provide the original purchaser with up to 100 copies of this Official Statement within seven business days following the award of the RANs.

Professionals:	Bond Counsel:	Hawkins Delafield & Wood LLP New York, New York
		Quarles & Brady LLP Milwaukee, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Delivery:	Delivery of the RANs will be on or about May 6, 2004 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.	
Reoffering:	The public reoffering price(s) or yield(s) of the RANs as set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the RANs the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12" herein).	

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THE G.O. NOTES

AUTHORITY AND PURPOSE

The G.O. Notes are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes to finance various public improvement projects and fiscal requirements of the City. The Common Council of the City adopted resolutions on December 15, 2000, May 8, 2001, January 22, 2002, August 1, 2002, March 4, 2003, January 22, 2003, March 4, 2003, January 21, 2004, February 10, 2004, March 2, 2004, and April 13, 2004 authorizing the issuance of the G.O. Notes.

The proceeds of the G.O. Notes are anticipated to be used as follows:

Public Buildings	Construction to and improvements of public buildings	\$18,054,919
Receivables and Other Fiscal Needs	Financing receivables and other fiscal needs	17,000,000
Schools	Construction of and improvements to school facilities	8,226,390
Tax Incremental Districts	Construction of and improvements to Tax Incremental Districts	7,282,607
Fire Stations & Improvements	Construction of and improvements to fire stations	5,400,194
Street Improvements	Laying out, opening and widening of streets, and to provide street and sidewalk improvements	2,287,890
Bridges & Viaducts	Construction of and improvements to bridges and viaducts	1,838,340
Police Facilities	Construction of and improvements to police facilities	1,624,585
Renewal & Development	Renewal and development projects	1,350,610
Parks & Public Grounds	Construction of and improvements to park facilities	1,232,825
Library Improvements	Construction of and improvements to libraries	524,310
Sewers	Construction of and improvements to sewers and drains	416,340
Parking Facilities	Construction of and improvements to parking facilities	399,700
Harbor	Construction of and improvements to the harbor	370,010
Grant and Aid	Financing of grants and aid	<u>226,280</u>
TOTAL		<u><u>\$66,235,000</u></u>

SECURITY FOR THE G.O. NOTES

The G.O. Notes shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the G.O. Notes.

Under and by virtue of Section 67.05(10), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such G.O. Notes as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid bonds or notes are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

MATURITY AND INTEREST RATES

The G.O. Notes are to be dated the Date of Delivery and will bear interest from that date at the rates, and shall mature each February 15 in the amounts and on the dates as set forth on the inside front cover page of this Official Statement. Interest on the G.O. Notes will be payable on August 15, 2004 and thereafter semiannually on February 15 and August 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

The G.O. Notes are not subject to redemption prior to maturity.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation borrowing the City may issue. The G.O. Notes are within these limitations. (See "DEBT STRUCTURE" herein for further details).

THE G.O. BONDS

AUTHORITY AND PURPOSE

The G.O. Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for various public improvement projects of the City, and to pay the associated financing costs. The Common Council of the City adopted resolutions on, December 15, 2000, January 22, 2002, January 22, 2003, January 21, 2004 and February 10, 2004, which authorizes the issuance of the G.O. Bonds.

Proceeds of the G.O. Bonds will be used for various public improvements as follows:

Tax Incremental Districts	Construction of and improvements to Tax Incremental Districts	\$8,917,659
Public Buildings	Construction to and improvements of public buildings	7,032,712
Schools	Construction of and improvements to school facilities	4,113,168
Street Improvements	Laying out, opening and widening of streets, and to provide street and sidewalk improvements	1,143,922
Bridges & Viaducts	Construction of and improvements to bridges and viaducts	919,155
Renewal & Development	Renewal and development projects	675,288
Police Facilities	Construction of and improvements to police facilities	425,926
Library Improvements	Construction of and improvements to libraries	262,130
Sewers	Construction of and improvements to sewers and drains	208,166
Parking Facilities	Construction of and improvements to parking facilities	199,831
Harbor	Construction of and improvements to the harbor	134,990
Fire Stations & Improvements	Construction of and improvements to fire stations	115,393
Parks & Public Grounds	Construction of and improvements to park facilities	<u>51,660</u>
TOTAL		<u><u>\$24,200,000</u></u>

SECURITY FOR THE G.O. BONDS

The G.O. Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the G.O. Bonds.

Under and by virtue of Section 67.05(10), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid bonds or notes are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

MATURITY AND INTEREST RATES

The G.O. Bonds are to be dated the Date of Delivery, and will bear interest from that date at the rates, and shall mature each February 15 in the amounts and on the dates as set forth on the inside front cover page of this Official Statement. Interest on the G.O. Bonds will be payable on August 15, 2004 and thereafter semiannually on February 15 and August 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

Optional Redemption. The G.O. Bonds with principal maturity dates on or after February 15, 2015 will be subject to redemption prior to their maturity, at the option of the City, on any date on or after February 15, 2014 a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding G.O. Bonds are called for redemption, the G.O. Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the G.O. Bonds of any maturity are called for redemption, the particular G.O. Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any G.O. Bonds to be redeemed in whose name such G.O. Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation borrowing the City may issue. The G.O. Bonds are within these limitations. (See "DEBT STRUCTURE" herein for further details).

THE RANs

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the revenue anticipation notes by the adoption of an authorizing resolution on February 10, 2004 in accordance with the provisions of Chapters 67.12(1) of the Wisconsin Statutes which reads as follows:

“67.12 Temporary borrowing and borrowing on promissory notes. (1) BORROWING IN ANTICIPATION OF REVENUES. (a) Except for school districts and technical college districts, any municipality that becomes entitled to receive federal or state aids, taxes levied or other deferred payments may, in the same fiscal year it is entitled to receive the payments, issue municipal obligations in anticipation of receiving the payments. The municipal obligations issued under this paragraph shall not exceed 60% of the municipality’s total actual and anticipated receipts in that fiscal year and shall be repaid no later than 18 months after the first day of that fiscal year.

(b) Any municipality may issue municipal obligations in anticipation of receiving proceeds from clean water fund loans or grants for which the municipality has received a notice of financial assistance commitment under s.281.58(15), from bonds or notes the municipality has authorized or has covenanted to issue under this chapter or from grants that are committed to the municipality. Any municipal obligation issued under this paragraph may be refunded one or more times. Such obligation and any refundings thereof shall be repaid within 5 years after the original date of the original obligation.

(c) Any municipality that issues a municipal obligation under this subsection shall adopt a resolution indicating the amount and purpose of the obligation and the anticipated revenue to secure the obligation and may pledge or assign all or portions of the revenue due and not yet paid as security for repayment of the obligations. Municipal obligations issued under this subsection shall be executed as provided in s. 67.08(1), may be registered under s. 67.09, and do not constitute an indebtedness for the purpose of determining the municipality’s constitutional debt limitation.”

SECURITY FOR THE RANs

The City has pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the RANs. The City has also pledged other General Fund Revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the RANs.

The City has also covenanted to deposit by December 31, 2004, with the City’s fiscal agent, segregated State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the RANs.

The RANs are not a general obligation of the City, do not constitute debt for the purpose of determining the City’s constitutional debt limitation, and no tax shall be levied to pay the RANs or the interest thereon.

MATURITY, INTEREST RATE(S) AND REDEMPTION PROVISION

The RANs are to be dated the Date of Delivery and will mature on May 5, 2005 without option of prior redemption and will bear interest from their date of issuance at the rate or rates as set forth on the inside front cover page of the Final Official Statement. Interest on the RANs will be payable at maturity.

Such interest will be calculated on the basis of 30-day months and a 360 day year (term of 359 days assuming a May 6, 2004 date of delivery).

STATUTORY BORROWING LIMITATION

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the RANs to sixty percent (60%) of the Estimated General Fund Revenues for fiscal year 2004. The limitation is calculated as follows:

Total Amount of Estimated General Fund Revenues for 2004	\$ 552,934,028
Statutory Borrowing Limit (60% of Estimated Revenues)	\$ 331,760,417
The Series 2004 R3 RANs Dated May 6, 2004	\$ 66,000,000
Unused Amount Following this Issue	\$ 265,760,417
Percentage of Borrowing Limit Used	19.9%
Percentage of Borrowing to Estimated Revenues	11.9%

INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool as a subset of the State Investment Fund (the "Fund"). The Local Government Investment Pool includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The Local Government Investment Pool portion of the Fund is additionally secured as to credit risk.

SWIB invests the assets of the Fund, which includes assets of the Local Government Investment Pool. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of January 30, 2004, the City had approximately 56% (\$267 million) of its and MPS's investments deposited in the Local Government Investment Pool.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee, Wisconsin (the “City”) is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. Milwaukee is Wisconsin’s largest city with a population of 595,245 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

The Port of Milwaukee provides access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is also connected with the interstate highway system.

Milwaukee was incorporated as a city on January 31, 1846 pursuant to the laws of the territory of Wisconsin. Wisconsin gained statehood in 1848. The City, operating under a Home Rule Charter since 1874, has a council-mayor form of government.

ELECTED OFFICIALS

The Mayor, City Attorney, Comptroller, Treasurer and Common Council members are elected officials of the City. Local elections are non-partisan. The Mayor, City Attorney, Comptroller and Treasurer are elected at-large for identical four-year terms.

The Common Council represents fifteen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 40,000.

CITY OFFICIALS

(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Michael S. D’Amato	(1996)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Michael McGee, Jr.	(2004)	Tony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2008.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,420 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system; and, general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to directly borrow using revenue backed financings.

Other major local governmental units and their related government services are the Milwaukee Public Schools (education); Milwaukee County (parks, airport/mass transit/highways, social services and court system); Milwaukee Metropolitan Sewerage District (wastewater treatment); and, the Milwaukee Area Technical College (higher education). Wisconsin Statutes require Milwaukee Public School purpose debt to be issued by the City. The remaining governmental units cited each retain the statutory authority to issue general obligation debt.

Two special purpose governments exist with the ability to issue debt and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball District (the "District"), a public entity created by State legislation encompassing five southeastern Wisconsin counties, to finance construction/operations of a new baseball facility ("Miller Park") for the National League Milwaukee Brewers baseball club. Miller Park opened in March, 2001. The District has issued \$199 million of revenue bonds supported by a five-county, one-tenth of one percent sales tax and other ancillary revenue streams. In addition, \$45 million of lease certificates of participation have been sold to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose government is the Wisconsin Center District which oversees construction/operation of the Midwest Airlines Center, Milwaukee's major convention complex. This complex also includes the existing US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by \$185 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, \$30 million of Bonds were issued to renovate the Milwaukee Auditorium.

In addition to the facilities noted above, Milwaukee is home to a modern 17,000+ seat indoor sports and concert venue, the Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. Milwaukee also boasts a lakefront Milwaukee Art Museum as well as major symphony, ballet companies, theatre and other performing arts.

May 4, 2001, marked the unveiling of phase one of Milwaukee Art Museum's new expansion and renovation, which combines art, dramatic architecture and landscape design. The new Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

Finally, the Milwaukee area is the site of a number of higher education institutions, including Marquette University, the University of Wisconsin – Milwaukee, Alverno College, Mount Mary College and the Milwaukee School of Engineering.

EMPLOYEE RELATIONS

Approximately 6,400 of the City's 7,150 full-time employees are members of bargaining units represented by 19 unions. The City is currently in arbitration with one bargaining unit for a contract to be effective January 1, 2001. The City is or will be in negotiations with sixteen bargaining units for successor agreements to contracts which expired at the end of 2002 or mid-2003 and is in arbitration with one of the 16 (District Council 48). The City is in arbitration with the Milwaukee Police Association and in negotiations with the Milwaukee Professional Fire Fighters' Association for successor agreements to contracts which expired at the end of 2003. There have been no contract settlements for 2004.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 595,245, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding Milwaukee is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

Effective buying income in the City is approximately \$8.4 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 26.6 percent of City households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year and 23.3 percent earn over \$50,000 per year. The age distribution of the population of the City is 10.7 percent between 18 and 24 years old; 15.2 percent between 25 and 34 years old; 20.5 percent between 35 and 49 years old and 23.3 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population⁽¹⁾</u>	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1998	610,654	\$13,436	\$34,839	\$26,575
1999	608,150	13,780	35,830	27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	Not Available	Not Available	36,507

(1) The population figures are derived through estimates from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

Sources: Derived from data contained in Sales and Marketing Management magazine as reported for the appropriate year. Other sources include the Bureau of Census; Wisconsin Department of Revenue; Metropolitan Milwaukee Association of Commerce and the City of Milwaukee Division of Economic Development.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 1999 through December 2003.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$332,184,632	2,429
2000	281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
1999	\$9,489,837	84	\$10,951,700	119	\$20,441,537	203	109
2000	13,501,445	113	21,682,808	239	35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172
2003	20,069,077	159	91,792,191	666	111,861,268	825	187

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$128,343,915	95
2000	99,967,923	88
2001	106,537,251	99
2002	87,778,047	89
2003	61,824,799	96

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$30,726,416	145
2000	43,153,279	181
2001	64,534,354	406
2002	24,122,613	159
2003	54,241,508	202

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$152,672,764	2,080
2000	103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399

Note: Miller Park, the City's new major league baseball venue, was completed in March 2001. This \$350 + million project is not incorporated within the above schedules.

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington D.C.

BANK DEPOSITS

The following table illustrates a five-year history of bank deposits for the largest banks in the City. (In Thousands of Dollars)

	1999	2000	2001	2002	2003
Bank One, Milwaukee, N.A. ^{(1) (2)}	\$4,262,523	\$4,397,409	\$4,398,040	—	—
M & I Marshall & Ilsley Bank	5,245,384	8,623,224	18,244,031	\$18,523,783	\$20,932,473
Wells Fargo Bank Wisconsin, N.A.	1,667,542	1,803,846	1,992,708	2,200,491	2,277,301
Bank Mutual ⁽³⁾	1,355,566	1,343,013	1,479,372	1,477,209	2,270,649
Associated Bank Milwaukee ⁽⁴⁾	1,929,558	1,918,455	5,840,463	5,648,495	—
Guaranty Bank	678,162	918,287	1,475,151	1,784,272	1,541,942
Johnson Bank	1,016,505	1,105,687	1,165,488	1,468,019	1,872,594
St. Francis Bank, FSB ⁽⁵⁾	1,547,272	1,480,471	1,431,840	140,024	1,349,686
State Financial Bank, N.A. ⁽⁶⁾	—	859,769	955,237	991,701	—
Park Bank	390,147	455,397	466,454	472,664	510,814

⁽¹⁾ Total deposits for Bank One, Wisconsin. As of December 7, 1996, all 14 of the Bank One charters in Wisconsin merged into one charter. Bank deposits for all Bank One offices in the state are combined and reported as one amount under the name Bank One, Wisconsin. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 1996 and later.

⁽²⁾ Title change to Bank One, National Association due to a merger with Bank One, National Association of Chicago, Illinois effective August 2002. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 2002.

⁽³⁾ Changed title to Bank Mutual March, 2003.

⁽⁴⁾ Changed title to Associated Bank, National Association, due to merger with Associated Bank Green Bay, National Association on April 20, 2001.

⁽⁵⁾ St. Francis Bank merged into Mid America Bank, FSB, Clarendon Hills, Illinois on December 1, 2003.

⁽⁶⁾ State Financial Bank, N.A. formed by merger in 2000.

Note: Other banks that have a significant presence in the Milwaukee area include TCF National Bank and U.S. Bank. These banks are not chartered in Wisconsin and information on these banks is not available through the Wisconsin Department of Financial Institutions.

Source: Wisconsin Department of Financial Institutions, December 2003 and The American Financial Directory (Wisconsin) January-June 2004.

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LEADING BUSINESS AND INDUSTRIAL FIRMS LOCATED WITHIN MILWAUKEE COUNTY

The listing of large employers in Milwaukee County which follows, reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list, which includes only employers with the majority or all of their employment in Milwaukee County.

<u>Employer</u>	2002 ⁽¹⁾ <u>Employment</u>	<u>Type of Business or Service</u>
Aurora Health Care	11,365	Health Care
Milwaukee Public Schools	11,329	Education
U.S. Government (Excludes V.A. Medical Center)	8,875	Government
City of Milwaukee	7,150	Government
Covenant Health Care	5,716	Health Care
M&I Marshall & Ilsley	5,579	Holding company banking/finance and data services
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,178	Education
Northwestern Mutual Life	4,039	Insurance
Medical College of Wisconsin	3,760	Medical school/academic/health care
SBC Communications (Ameritech Corporation)	2,766	Communications
Rockwell Automation (formerly Allen-Bradley)	3,740	Manufacturer, electrical/electronic products
WE Energies	3,300	Electric/natural gas utility
Froedert Memorial Lutheran Hospital	3,150	Health Care
US Bank (formerly Firststar Corporation)	2,663	Finance, banking
Columbia-St. Mary's ⁽²⁾	2,603	Health Care
Harley-Davidson Motor Company	2,450	Manufacturer, motorcycles
Johnson Controls, Inc.	2,435	Manufacturer, of electronic control systems, automobile interior modules
Briggs and Stratton	2,300	Manufacturer, small engines, automotive locks and keys
Children's Hospital of Wisconsin	2,116	Health care
Clement Zablocki Veterans Medical Clinic	1,950	Health Care
Fortis	1,865	Health care
Miller Brewing Company	1,797	Manufacturer of beer and aluminum containers

Note: Data reflects full-time equivalent employees (FTEs).

(1) Rockwell Automation and Froedert Memorial Lutheran Hospital did not submit a response for 2002 FTEs survey. Due to changes in methodology, U.S. Government, Clement Zablocki Medical Center and Wisconsin Energy reported higher numbers of FTEs. Briggs & Stratton Corporation and Milwaukee County experienced significant decreases due to the downsizing of their workforce.

(2) Columbia-St. Mary's reported higher FTE amounts for 2001. St. Mary's Ozaukee clinic was included in error in 2001.

Source: Milwaukee County Department of Administrative Services, January 2003 survey of employers.

EMPLOYMENT AND INDUSTRY

During 2003, the City's unemployment rate averaged approximately 9.5%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 1999 through December 2003.

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2003	7.9% ⁽¹⁾	5.1% ⁽¹⁾	5.6%	6.0%
2002	9.6	6.0	5.5	5.8
2001	7.8	4.7	4.5	4.7
2000	6.7	3.8	3.6	4.0
1999	5.4	3.1	3.0	4.2

⁽¹⁾ As of December, 2003. Annual average is not available.

Rates for City of Milwaukee and Milwaukee - Waukesha Metropolitan Area are not seasonally adjusted.

Source: U.S. Bureau of Labor Statistics.

Milwaukee's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69 percent of the workforce. Manufacturing firms employ 17 percent of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

CITY OF MILWAUKEE
ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP
2003 ⁽¹⁾

NAICS Description	Number of Establishments	Average Employment
Agriculture, Forestry, Fishing, & Hunting	3	9
Mining	7	32
Utilities	23	1,612
Construction	804	7,684
Manufacturing	887	43,235
Wholesale Trade	937	12,515
Retail Trade	1,574	21,024
Transportation & Warehousing	426	13,121
Information	247	8,738
Finance & Insurance	795	26,442
Real Estate & rental & housing	536	4,852
Professional & Technical Services	1,535	17,638
Management of Companies & Enterprises	130	10,001
Administrative & Waste Services	781	24,033
Educational Services	344	33,525
Health Care & Social Services	1,660	59,081
Arts, Entertainment, & Recreation	168	6,865
Accommodation & Food Services	1,119	20,748
Other Services, Ex. Public Administrative	1,975	11,075
Public Administration	38	17,619
Unclassified	4	17
Total	13,993	339,866
 All Government	 241	 47,723
Private Sector	13,752	290,143
Total	13,993	337,866

NOTE: Due to the method of reporting in prior years, the information stated above is incompatible with the data provided in previous years. The Wisconsin Department of Workforce Development changed its method of reporting data from the old system of Standard Industry Classification (SIC) to the new North American Industry Classification System (NAICS). The impact changed the number of industries reported from four subsectors to ten subsectors. The new method and format of reporting data is also incompatible with previous data sets by industry under the former SIC structure.

⁽¹⁾ Information represents second quarter 2003.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2003 ASSESSED VALUATIONS

First Security Bank	\$214,254,820
Northwestern Mutual Life Ins.	166,926,980
Teachers Insurance & Annuity/TIAA Realty	106,281,690
Towne Realty	91,282,230
M & I Marshall & Ilsley Bank/Metavante Corp	78,295,020
Marcus Corp/Milw City Center/Pfister	73,878,590
Metropolitan Associates	72,949,070
Miller Brewing	71,369,080
Great Lakes REIT/GLR Milw Center	64,633,530
100 E. Wisconsin Ave Joint Venture	56,346,910

Source: City of Milwaukee, Assessor's Office.

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DEBT STRUCTURE

The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes limits direct general obligation borrowing to an amount equivalent to five percent of the equalized valuation of taxable property. Section 119.49 of the Wisconsin Statutes further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property for school capital purposes. Such debt margins, as of April 1, 2004, are calculated upon the 2003 City equalized valuation for 2004 purposes of \$21,730,754,000. After issuance of the Offered Obligations, the available five percent debt margin for City borrowing is \$435,089,606 or 40.0% remaining for future debt issuance. The available two percent debt margin for school purpose borrowing is \$413,133,067, or 95.1% remaining for, future debt issuance.

DEBT MARGIN (Includes the G.O. Bonds and G.O. Notes)

2003 Equalized Value of Taxable Property in the City	\$ 21,730,754,000
Legal Debt Limitation for City Borrowing	
5% of Equalized Value for City Borrowing	\$ 1,086,537,700
General Obligation Debt Outstanding for City Borrowing	
As of April 1, 2004	\$ 614,774,433
Plus: The G.O. Bonds	\$ 24,200,000
Plus: The G.O. Notes	\$ 66,235,000
Less: Provision for 2004 Maturities	\$ (53,761,339)
Net General Obligation Debt Outstanding as of April 1, 2004	\$ 651,448,094
Total Debt Margin for City Borrowing (In Dollars)	\$ 435,089,606
(As a Percentage)	40.0%
Legal Debt Limitation for School Purpose Borrowing	
2% of Equalized Value for School Borrowing	\$ 434,615,080
General Obligation Debt Outstanding for School Borrowing	
As of April 1, 2004	\$ 21,482,013
Less: Provision for 2004 Maturities	\$ (0)
Net General Obligation Debt Outstanding as of April 1, 2004	\$ 21,482,013
Total Debt Margin for School Purpose Borrowing (in Dollars)	\$ 413,133,067
(As a Percentage)	95.1%

DEBT REFUNDED

The City has issued the following series of general obligation refunding bonds that have outstanding escrow amounts:

\$30,725,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of five general obligation bond issues, with a final escrow payment in 2009, and Associated Trust Company, N.A. as escrow trustee.

\$159,985,000, General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, and Marshall & Ilsley Trust Company, N.A. as escrow trustee.

None of the refunded debt is reflected in the "Debt Margin" presentation above.

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF APRIL 1, 2004

Schools (5% City Borrowing)	\$97,838,450
Schools (2% School Purpose Borrowing)	21,482,014
Tax Increment Districts	87,298,338
Streets	82,247,735
Sewers	69,599,771
Public Buildings	57,504,613
Police	47,156,470
Water	37,329,958
Local Improvement Projects/Special Assessment	24,167,892
Blight Elimination/Urban Renewal	23,369,927
Parking	19,310,285
Bridges	12,553,949
Finance Real & Personal Property Tax Rec	11,260,000
FMIS Replacement	10,856,226
Fire	10,196,228
Library	8,580,185
Playground/Rec Facilities	7,826,236
Harbor	4,316,617
Municipal Expenses	2,000,000
Economic Development	513,317
Grant & Aid Improvements City Share	404,310
Industrial Land Bank	243,884
Milwaukee Exposition and Conv Center	90,178
Resource Recovery	79,348
Lakefront Development	30,516
TOTAL GENERAL OBLIGATION DEBT	
OUTSTANDING AS OF APRIL 1, 2004	<u><u>\$636,256,447</u></u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

The following indicates the annual requirements of principal and interest on the general obligation debt of the City of Milwaukee.

Year	General Obligation Debt Service Requirements	Plus: Debt Service on the G.O. Notes and G.O. Bonds			Total Debt Service Requirements after the issuance of the Series of G.O. Bonds & G.O. Notes
	As of 12/31/2003	Principal	Interest	Total	
2004	\$108,096,354		\$1,121,051	\$1,121,051	\$109,217,405
2005	102,115,392	\$14,840,000	3,928,150	18,768,150	120,883,542
2006	88,931,260	8,295,000	3,572,375	11,867,375	100,798,635
2007	80,899,716	6,180,000	3,210,500	9,390,500	90,290,216
2008	75,928,420	5,975,000	2,906,625	8,881,625	84,810,045
2009	65,859,669	5,835,000	2,611,375	8,446,375	74,306,044
2010	60,325,954	5,770,000	2,321,250	8,091,250	68,417,204
2011	53,338,025	5,255,000	2,045,625	7,300,625	60,638,650
2012	48,260,286	4,655,000	1,797,875	6,452,875	54,713,161
2013	42,501,980	4,695,000	1,564,125	6,259,125	48,761,105
2014	35,713,448	4,735,000	1,328,375	6,063,375	41,776,823
2015	30,115,785	4,140,000	1,106,500	5,246,500	35,362,285
2016	22,016,791	4,195,000	898,125	5,093,125	27,109,916
2017	17,524,550	4,260,000	686,750	4,946,750	22,471,300
2018	11,935,653	4,325,000	472,125	4,797,125	16,732,778
2019	5,842,381	4,390,000	254,250	4,644,250	10,486,631
2020	4,733,444	1,405,000	109,375	1,514,375	6,247,819
2021	4,205,000	1,485,000	37,125	1,522,125	5,727,125
2022	5,315,000	—	—	—	5,315,000
2023	4,955,000	—	—	—	4,955,000
Total	\$868,614,108	\$90,435,000	\$29,971,576	\$120,406,576	\$989,020,684

TRENDS OF GENERAL OBLIGATION DEBT

The following table indicates the general obligation debt of the City outstanding on December 31st of the year shown.

<u>Dec. 31</u>	<u>General Obligation Debt Outstanding⁽²⁾</u>	<u>Debt Service Fund Balance ⁽¹⁾</u>		<u>Debt Less Debt Service Fund Balance</u>
		<u>Allocated To Specific Issues⁽³⁾</u>	<u>Unallocated⁽⁴⁾</u>	
1998	\$518,401,459	\$ 9,691,634	\$15,249,366	\$493,460,459
1999	559,098,751	11,253,948	20,068,052	527,776,751
2000	605,239,921	9,623,007	20,812,993	574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	659,548,890	14,526,317	3,021,809	642,000,763
2003 ⁽⁵⁾	660,081,448	22,666,740	6,281,494	631,133,214

- (1) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Incremental Districts, Parking, Special Assessment, Water and Delinquent Tax borrowings as a portion of total debt service. (For further information regarding debt service due for Tax Increment Districts, please see "TAX INCREMENT DISTRICT FINANCING.")
- (2) Includes amounts borrowed for Tax Incremental District Program, Parking Program, financing of special assessments, delinquent taxes and water purposes. See "TRENDS OF SELF SUSTAINING GENERAL OBLIGATION DEBT" on the following page for additional information.
- (3) From Provision for Future Maturities - Principal and Interest.
- (4) From Debt Service Fund Revenues.
- (5) Beginning with 2002, the portion of the Debt Service Fund needed to pay interest on certain self supporting debt has been excluded from the balance.

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Self-Sustaining General Obligation Debt⁽¹⁾

	General Obligation Debt Less Debt Service Balance ⁽²⁾	TID Program ⁽³⁾	Parking Program	Special Assessments ⁽⁴⁾	Delinquent Taxes ⁽⁵⁾	Water	Total Self Sustaining Debt	Net General Obligation Debt Less Self- Sustaining Debt ⁽⁶⁾
<u>Date</u>								
12/31/1998	\$503,152,093	\$64,899,209	\$21,532,010	\$27,912,744	\$23,195,000	\$61,981,967	\$199,520,930	\$303,631,163
12/31/1999	539,030,699	66,836,574	25,399,711	28,560,056	21,950,000	57,373,821	200,120,162	338,910,537
12/31/2000	584,426,928	66,078,454	26,981,616	26,299,555	21,225,000	52,611,050	193,195,675	391,231,253
12/31/2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
12/31/2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	454,785,677
12/01/2003	653,799,954	90,709,964	21,056,163	20,263,625	24,190,000	39,264,209	195,483,961	458,315,993

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements is currently met with current non-Citywide property tax revenues.
- (2) Unallocated portion only. Allocated Debt Service Fund Balance relates to “Self-Sustaining” Debt categories detailed above.
- (3) See “TAX INCREMENT DISTRICT FINANCING” herein for additional information.
- (4) The Public Debt Commission, as one of its statutory mandates, oversees the portion of the Public Debt Amortization Fund used annually to prepay outstanding debt. The Commissioners of the Public Debt have reserved a portion of this Fund sufficient to make principal and interest payments for all outstanding special assessments purpose debt service to maturity.
- (5) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.
- (6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>Date</u>	<u>Debt Per Capita</u>
12/31/1998	\$497.22
12/31/1999	557.28
12/31/2000	646.05
12/31/2001	688.17
12/31/2002	763.12
12/01/2003	769.96

**RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita
And Per Capita Incomes**

<u>Date</u>	<u>Population⁽¹⁾</u>	<u>Net Equalized Valuation⁽²⁾</u>	<u>Assessed Valuation</u>	<u>Net General Obligation Debt⁽³⁾</u>	<u>Net General Obligation Debt/Equalized Valuation⁽⁴⁾</u>	<u>Net General Obligation Debt/Assessed Valuation</u>	<u>Net General Obligation Debt Per Capita⁽⁴⁾</u>	<u>Per Capita Income</u>	<u>Net G.O. Debt Per Capita/ Per Capita Income</u>
12/31/1998	610,654	\$16,228,218,000	\$16,072,114,035	\$493,460,459	3.04%	3.07%	\$808.09	\$13,436	6.01%
12/31/1999	608,150	16,701,225,300	15,774,873,167	527,776,751	3.16	3.35	867.84	13,870	6.26
12/31/2000	605,572	17,344,251,400	17,582,994,597	574,803,921	3.31	3.27	949.19	14,170	6.70
12/31/2001	595,508	19,453,830,200	17,699,784,394	601,245,647	3.09	3.40	1,009.63	14,147	7.14
12/31/2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	13,420	8.03
12/01/2003	595,245	21,730,754,000	21,009,517,241	631,133,214	2.90	3.00	1,060.29	N/A	N/A

- (1) The population figures are derived through estimates from the Wisconsin Department of Revenue population used in the distribution of State Shared Revenues.
- (2) Per Wisconsin Department of Revenue, Bureau of Property and Utility Tax.
- (3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.
- (4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 1998 through 2003, the following results would have occurred:

<u>Date</u>	<u>Debt Percentage Of Equalized Value</u>	<u>Direct Debt Per Capita</u>
12/31/1998	2.71%	\$721.84
12/31/1999	2.89	793.76
12/31/2000	3.06	877.44
12/31/2001	2.86	936.33
12/31/2002	2.94	1,002.87
12/01/2003	2.70	987.15

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
APRIL 1, 2004**

Governmental Unit	Debt Outstanding As of April 1, 2004	Approximate Percentage Applicable	Milwaukee's Share of Debt As of April 1, 2004
City of Milwaukee ⁽¹⁾	\$636,256,447	100.00%	\$636,256,447
Area Board of Vocational, Technical and Adult Education, District No. 9	79,575,000	37.45	29,800,838
County of Milwaukee	500,187,238	45.97	229,936,073
Milwaukee Metropolitan Sewerage District ⁽²⁾	668,802,209	47.03	314,537,679
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$1,884,820,894</u></u>		<u><u>\$1,210,531,037</u></u>

(1) Includes \$119,320,464 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

(2) Includes \$352,242,209 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

The G.O. Bonds and G.O. Notes are being issued pursuant to \$295,233,568 authorized general obligation debt for various corporate and capital improvement purposes. The balance of the general obligation debt can be issued at any time. The 2004 Budget provides for the issuance of up to \$300,000,000 of revenue anticipation borrowings. The balance of the revenue anticipation borrowings can be issued at any time, with approximately \$175,000,000 anticipated to be sold in August for Milwaukee Public School purposes. \$13,703,500 of Sewerage Revenue and/or general obligation bonds are authorized to be sold at any time. See "FINANCIAL INFORMATION – CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

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REVENUE BONDING

The City and City agencies have issued revenue bonds directly and indirectly. Entities which have issued revenue bonds include the Redevelopment Authority and the Housing Authority. Collectively, the bond programs of the Housing and Redevelopment Authorities complement City financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 - On December 22, 1998, the City and the State of Wisconsin entered into a loan agreement with the City borrowing up to \$19,358,172 under the State of Wisconsin Safe Drinking Water Loan Program for water treatment system improvements. This loan, at a rate of 2.64%, is secured by revenues of the Milwaukee Water Works.

As of December 31, 2003, the amount of \$17,559,338 has been loaned to the City by the State of Wisconsin. The remaining outstanding balance as of December 31, 2003 is \$14,548,378. Debt service on this issuance is anticipated through the year 2018.

Sewerage System Revenue Bonds – In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds. As of December 31, 2003, total outstanding Sewerage System Revenue Bonds was \$61,980,000 with a final maturity in 2023.

Industrial Revenue Bonding Program - The City of Milwaukee has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are additional tax base, additional jobs or both.

Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

Housing Authority of the City of Milwaukee – Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for “stand-alone” projects. The Housing Authority bonds and notes are not a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between the period 1983 and September 15, 2002, the Housing Authority issued revenue bonds of approximately \$149 million of which, approximately \$35 million are still outstanding.

Redevelopment Authority of the City of Milwaukee - The Redevelopment Authority of the City (“Authority”) is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the §66.431, Wisconsin Statutes (“Act”).

The Authority has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Act, and is authorized under the Act to issue revenue bonds for the financing of such programs and projects and to enter into revenue agreements to provide revenues for the payment of such revenue bonds.

Since its creation, the Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Act. In connection with the financing of a number of such projects, the Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power. As of December 31, 2002, the Authority has sold 90 separate issues in the total principal amount of approximately \$620 million. As December 31, 2003 there remained approximately \$564 million outstanding.

The majority of these issues are supported solely by the revenues of the various projects. While in each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power; there are certain issues which involve contingent liabilities of the Authority and/or the City.

As of December 31, 2003, the Authority had outstanding: one bond issue with \$2,245,000 outstanding secured by a lease with the City; two bond issues with \$43,140,000 outstanding that have a Moral Obligation Pledge of the City; and \$293,084,122 in five bond issues for MPS, one secured by a lease, and four secured by loan agreements, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Authority has also issued debt payable from tax increment revenues. See "TAX INCREMENT DISTRICT FINANCING" herein.

Milwaukee Economic Development Corporation - As of December 31, 2003, the Milwaukee Economic Development Corporation funded loans for 862 small businesses and redevelopment projects utilizing \$150.6 million to leverage a total of \$752.8 million in investment. 566 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$17.4 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's section 503 and 504 loan programs in the amount of \$7.7 million as of December 31, 2003.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax incremental districts ("TID"). The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such Districts through the issuance of its general obligation bonds. As of April 1, 2004, \$87,298,338 of general obligation bonds for TID purposes were outstanding. Under current laws, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City of Milwaukee has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the moral obligation of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations.

In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2002 Assessed Tax Rate for Milwaukee Public Schools was \$9.34 per thousand dollars of assessed value, down from \$15.70 in 1995. As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced, and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TIDs cash flow deficiencies with other City revenues. In connection with the change in the school aid formula, the Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Act 126 and pending legislation contained in 2003 Senate Bill 428, the allowable life of TIDs created between October 1, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes will be 27 years. All TIDs created prior to October 1, 2004 may request a four-year extension in certain circumstances. TIDs created after October 1, 2004 will have different lives and extension options. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits his statement of anticipated non-property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limit strictures with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2003-2008 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs together with proposed financing. School purpose improvements financed by the City of Milwaukee for the Milwaukee Public Schools are included in this CIP.

The six-year City CIP municipal spending plan totals \$1,049 million. In addition, the City plans to provide \$72 million toward capital improvements for the Milwaukee Public Schools for a six-year total of \$1,121 million. About \$974 million or 87 percent of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.) and schools. The remaining 13 percent is for expansion purposes.

Surface transportation accounts for approximately 26 percent of the CIP, or about \$287 million. Twenty-four percent (\$269 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. Almost \$124 million of capital spending (11% of the CIP) is planned for economic development projects through 2008. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 39 percent (\$429 million) is planned for school, health/safety improvements and general governmental purposes. All \$72 million in planned school capital improvements is dedicated to deferred maintenance, repairs and remodeling projects, including \$12 million for Americans with Disabilities (ADA) accessibility projects.

In addition to school capital spending within the City's Capital Improvements Program, an additional \$98 million is being raised through revenue bonds issued by the City Redevelopment Authority for the construction and expansion of neighborhood schools. An amount of \$33 million has already been issued. These bonds will be repaid with State aid formerly used to pay for transportation. The state also provides a moral obligation pledge to repay the revenue bonds.

The portion of the \$1,121 million six-year CIP to be financed by the property tax levy totals about \$565 million (50%). This in turn is composed of direct tax levy funding of \$103 million (9%) and tax levy supported debt financing of \$462 million (41%). Cash revenues including Federal and State grants, developer financing and other sources, total \$190 million (17%) of planned CIP spending. An additional \$87 million (8%) is to be financed by City debt to be repaid with tax increment and other revenues, totaling eight percent of total CIP spending. The remaining \$280 million (25%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes.

In addition to \$12 million in new school purpose borrowing authority, the Adopted 2003 Capital Improvements Budget totals \$184 million compared to a 2002 Budget of \$162 million. The 2003 total includes \$46 million in new paving projects, \$23 million for sewer or related environment projects and \$8 million in police facility improvements. About 86 percent of the 2003 Capital Budget is dedicated to preservation purposes, mainly the City's sewer, surface transportation systems, and police facilities. The majority of the expansion purpose expenditures are for economic development, streets, and sewers.

ADOPTED BUDGET - COMBINED REVENUES - 2004

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$85,155,728	\$1,000,000	\$53,994,910	\$11,475,510	—	\$151,626,148
Provision for Empl Retirement ⁽¹⁾	42,386,238	—	—	—	—	42,386,238
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	<u>\$132,541,966</u>	<u>\$1,000,000</u>	<u>\$53,994,910</u>	<u>\$11,475,510</u>	<u>\$0</u>	<u>\$199,012,386</u>
Revenues						
Taxes	11,953,500	—	—	—	—	11,953,500
Licenses and Permits	10,025,300	—	—	—	—	10,025,300
Intergovernmental Revenues	273,548,000	71,908,461	—	—	—	345,456,461
Charges for Service	83,162,862	—	—	—	—	83,162,862
Fines and Forfeitures	4,784,700	—	—	—	—	4,784,700
Miscellaneous Revenues	20,407,700	9,500,000	—	—	12,000,000	41,907,700
Cost Recovery	10,000	—	—	—	—	10,000
Fringe benefits ⁽²⁾	16,500,000	—	—	—	—	16,500,000
Parking	—	—	—	—	24,176,679	24,176,679
Water Works	—	—	—	—	100,815,206	100,815,206
Sewer Maintenance Fund	—	—	—	—	31,965,233	31,965,233
Retained Earnings	—	—	—	—	14,583,546	14,583,546
Sinking Fund	—	—	60,732,859	—	—	60,732,859
Special Assessments	—	4,761,827	—	5,179,290	—	9,941,117
Capital Revenue	—	—	—	12,500,000	—	12,500,000
Total Revenues	<u>\$420,392,062</u>	<u>\$86,170,288</u>	<u>\$60,732,859</u>	<u>\$17,679,290</u>	<u>\$183,540,664</u>	<u>\$768,515,163</u>
Tax Stabilization						
Transfer from Reserves	16,870,000	—	—	—	—	16,870,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	80,494,450	15,005,900	95,500,350
Grand Total	<u>\$569,804,028</u>	<u>\$87,170,288</u>	<u>\$114,727,769</u>	<u>\$109,649,250</u>	<u>\$198,546,564</u>	<u>\$1,079,897,899</u>

(1) Includes employer and employee pension contributions and City employers' share of FICA.

(2) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2004

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$7,340,588	—	—	\$630,000	—	\$7,970,588
Assessor's Office	4,120,568	—	—	—	—	4,120,568
City Attorney	6,301,050	—	—	—	—	6,301,050
City Treasurer	2,916,895	—	—	—	—	2,916,895
Common Council - Clerk	7,212,879	—	—	—	—	7,212,879
Municipal Court	3,174,955	—	—	250,000	—	3,424,955
Comptroller	5,237,466	—	—	—	—	5,237,466
Dept of City Development	3,534,627	—	—	23,950,000	—	27,484,627
Election Commission	1,639,802	—	—	—	—	1,639,802
Employee Relations, Dept of	5,077,262	—	—	—	—	5,077,262
Fire Department	89,377,106	—	—	5,840,000	—	95,217,106
Health Department	13,201,538	—	—	1,240,000	—	14,441,538
Library Board	21,191,333	—	—	2,000,000	—	23,191,333
Mayor's Office	953,978	—	—	—	—	953,978
Neighborhood Services	12,946,562	—	—	—	—	12,946,562
Police Department	179,947,129	—	—	6,510,000	—	186,457,129
Port of Milwaukee	3,422,909	—	—	650,000	—	4,072,909
Public Debt Commission	0	—	—	—	—	0
DPW-Administration	4,553,338	—	—	626,000	—	5,179,338
DPW-Infrastructure	22,476,509	—	—	30,629,750	—	53,106,259
DPW-Operations	75,971,287	—	—	20,998,500	—	102,969,787
Water Works	—	—	—	—	108,075,206	108,075,206
Sewer Maintenance Fund	—	—	—	—	45,665,233	45,665,233
Special Purpose Accounts	125,007,912	—	—	—	—	125,007,912
Pension Funds	68,172,487	—	—	—	—	68,172,487
Debt Service - City	—	—	101,521,601	—	—	101,521,601
Debt Service - Schools	—	—	13,206,168	—	—	13,206,168
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	10,500,000	—	—	—	10,500,000
Parking	—	—	—	—	44,806,125	44,806,125
Grant & Aid Fund	—	71,908,461	—	—	—	71,908,461
Special Capital Projects	—	—	—	10,325,000	—	10,325,000
Economic Development	—	4,761,827	—	—	—	4,761,827
Fringe Benefit Offset ⁽¹⁾	(98,974,152)	—	—	—	—	(98,974,152)
Grand Total	<u>\$569,804,028</u>	<u>\$87,170,288</u>	<u>\$114,727,769</u>	<u>\$109,649,250</u>	<u>\$198,546,564</u>	<u>\$1,079,897,899</u>

- (1) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures

**STATEMENT OF GENERAL FUND REVENUES, OTHER FINANCING SOURCES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 1998 THROUGH 2002⁽¹⁾**

	1998 ⁽²⁾	1999 ⁽²⁾	2000 ⁽²⁾	2001 ⁽²⁾	2002 ⁽²⁾
<u>REVENUES</u>					
Property Taxes	\$84,042,000	\$89,250,000	\$98,456,000	\$118,804,000	114,096,000
Other Taxes	10,100,000	10,283,000	12,808,000	12,688,000	2,944,000
Licenses and Permits	8,112,000	8,996,000	10,154,000	10,485,000	10,814,000
Intergovernmental	278,965,000	277,884,000	278,434,000	278,969,000	283,068,000
Charges for Services	27,727,000	37,598,000	45,383,000	54,594,000	57,749,000
Fines and Forfeitures	16,138,000	17,694,000	18,036,000	4,408,000	5,210,000
Miscellaneous Revenues	16,736,000	9,032,000	14,358,000	12,408,000	—
Contributions Received	0	0	0	0	21,107,000
Other	0	0	0	0	8,706,000
TOTAL GENERAL FUND REVENUES	\$441,820,000	\$450,737,000	\$477,629,000	\$492,356,000	\$503,694,000
Tax Stabilization Fund Withdrawals	17,600,000	12,820,000	11,250,000	5,500,000	11,000,000
Other Financing Sources and Equity Transfers (Net)	12,766,000	8,886,000	18,640,000	26,232,000	17,952,000
TOTAL GENERAL FUND REVENUES, TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	\$472,186,000	\$472,443,000	\$507,519,000	\$524,088,000	\$532,646,000
<u>EXPENDITURES</u>⁽⁵⁾					
General Government	\$65,306,000	\$132,231,000	\$157,615,000	\$162,628,000	\$179,023,000
Public Safety	248,605,000	205,717,000	220,879,000	209,521,000	211,163,000
Public Works	102,835,000	91,817,000	100,696,000	87,453,000	88,094,000
Health	17,882,000	11,401,000	11,363,000	11,237,000	10,552,000
Culture and Recreation	20,383,000	16,627,000	17,584,000	16,948,000	18,791,000
Conservation and Development	7,281,000	7,271,000	7,502,000	7,922,000	7,857,000
TOTAL EXPENDITURES ⁽⁶⁾	\$462,292,000	\$465,064,000	\$515,639,000	\$495,709,000	\$515,480,000
SOURCES OVER (UNDER) EXPENDITURES	\$9,894,000	\$7,379,000	(\$8,120,000) ⁽⁶⁾	\$28,379,000	\$17,166,000
Fund Balance - January 1 ⁽³⁾	61,882,000	58,956,000	55,085,000	40,465,000	68,844,000
Fund Balance - December 31 ⁽⁴⁾	\$71,776,000	\$66,335,000	\$46,965,000	\$68,844,000	\$86,010,000

(1) For budgetary purposes only, fringe benefit revenues, cost recovery from Internal Service Funds, and purchase of Milwaukee County's delinquent taxes are revenue estimates that offset budgeted expenditures. These offsetting amounts are not revenues or expenditures for purposes of the financial statements and are excluded from the above table.

(2) Figures rounded to the nearest one thousand dollars.

(3) Beginning in 1999, fringe benefits (pensions, healthcare, etc.) are reported in total as General Government Expenditures. In prior years, fringe benefit costs were allocated to individual expenditure categories.

(4) The 2000 Total Expenditures includes payment of \$16 million of retroactive labor settlement costs for 1998 and 1999. Of this amount, \$11.4 million was provided for and reserved within the 1998 and 1999 Fund Balance.

(5) Excludes Tax Stabilization withdrawal for following year.

(6) Fund Balance Components: (000's)

	1998	1999	2000	2001	2002
Reserved for Encumbrances	\$10,974	\$9,942	\$5,026	\$5,357	\$36,585
Reserved for Carryovers	6,489	7,286	3,860	17,103	--
Reserved for Future Labor Settlements	8,307	11,382	--	--	--
Reserved for inventory	6,162	6,454	6,014	5,678	5,801
Reserved for mortgage trust	319	291	281	281	276
Reserved for environmental remediation	281	281	304	303	303
Reserved for tax stabilization-2003	--	--	--	--	9,300
Reserved for tax stabilization-2004 and subsequent years' budgets and advances to other funds	--	--	--	--	33,745
Reserved for next year's budget	12,820	11,250	5,500	11,000	--
Reserved for subsequent years' budget	26,424	19,449	25,980	29,122	--
Total Fund Balance	\$71,776	\$66,335	\$46,965	\$68,844	\$86,010

YEAR 2002 GENERAL FUND RESULTS

Exhibits A-1 and A-3 of Appendix A present the 2002 audited financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves totaled \$43,045,000 at the end of 2002, or about 8.4 percent of 2002 Fund expenditures. This compares to \$40,122,000 (8.1% of expenditures) at December 21, 2001. Total Fund balance at December 31, 2002 is \$86.0 million compared to \$68.8 million at December 21, 2001.

Overall, General Fund Revenues and Other Sources for 2002 exceeded expenditures by \$28,166,000, or 5.7 percent.

Total Revenues and Other Sources decreased by \$0.8 million (minus 0.2%) in 2002. This is mainly due to a \$4.7 million reduction in property tax revenues, a \$2.2 million decline in interest earnings and a reduction in other financing sources. This was partially offset by increases in charges, fines and forfeitures revenue and a \$5.5 million increase in reserves usage. The sharp decline in Other Taxes is due to an accounting change required by Government Accounting Standards Board (GASB) Statement 34. Formerly treated as revenues from the Water and Parking enterprises, GASB 34 requires that these sources now be recorded as fund transfers. Without these newly recognized transfers, Other Financing Sources and Equity Transfers would have actually declined by \$5.9 million in 2002.

Total General Fund Expenditures declined by \$0.6 million (minus 0.1%) in 2002. A \$4.0 million reduction in General Government expenditures was largely offset by increases in Culture & Recreation (plus \$1.8 million) and Public Safety (plus \$1.6 million) expenditures. A year long targeted hiring freeze and selected reductions in non-salary expenditures contributed to the slight expenditure reduction compared to 2001.

Regarding the components of General Fund Balance, the major change was a \$15.6 million increase in carry-overs and salary related encumbrances. With major labor agreements ending in 2002 and retro-active contracts yet to be negotiated at year-end, additional funds are needed to pay for the 2002 share of the new agreements when negotiated in 2003. Even with these increased reservations of Fund Balance, the year-end 2002 balance remaining for 2004 and subsequent years' budgets increased by \$4.6 million or nearly 16 percent.

Since 1998, General Fund Revenues and Other Sources have grown at an average of about 2.6 percent annually. Intergovernmental Aids remain the major funding source for the General Fund providing just over 54 percent of total sources. This compares to 59 percent in 1998. Property taxes comprised about 22 percent of total sources in 2002 versus 18 percent in 1998. Since 1998, charges, fines and forfeitures have increased in importance, growing from just over 9 percent of total sources to over 12 percent.

General Fund expenditures have grown at an average 1.8 percent annually since 1998. A major change in General Fund expenditure categories in 1999 prevents a meaningful comparison of expenditure categories.

Regarding changes in General Fund Equity, over the past four years, the Tax Stabilization Reserves account had been drawn down from its year-end 1998 level of \$33.5 million to reach a low of \$19.4 million in 1999. However, over each of the past three years, that balance has increased to now exceed the level of four years earlier, reaching \$33.7 million at year-end 2002.

For information regarding City debt levels and related debt factors, see "DEBT STRUCTURE".

CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASH FLOW SUMMARY
(MILLIONS OF DOLLARS)
January 1, 2004 to December 31, 2004

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	121.170	99.398	57.443	35.949	36.076	83.068	23.325	65.577	41.970	25.459	9.633	183.329	
RECEIPTS													
Property Taxes	7.978	1.623	10.788	4.738	4.406	8.985	30.102	7.507	9.221	9.950	0.688	56.753	152.739
State Aids													
Shared Revenue	-	-	-	-	-	-	44.238	-	-	-	196.137	-	240.375
Highway Aids	6.523	-	-	6.523	-	-	6.982	-	-	6.523	-	-	26.551
Payment Muni. Services	-	2.550	-	-	-	-	-	-	-	-	-	-	2.550
Computer Exemption Aid	-	-	-	-	2.800	-	-	-	-	-	-	-	2.800
Other	7.298	11.105	8.512	3.236	9.812	7.486	10.257	8.777	7.152	9.141	7.677	10.843	101.296
Pension Fees	1.589	1.589	4.089	1.589	1.590	1.589	1.589	1.589	1.589	1.589	1.589	1.589	21.569
Solid Waste Fee	0.821	1.032	0.965	1.044	1.070	0.748	1.067	0.969	0.912	1.261	0.847	1.099	11.835
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	10.090	10.090
Parking Transfers	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	12.000
Street Sweeping	-	-	-	-	-	-	-	-	-	-	-	4.200	4.200
Milwaukee Public Schools Fee	3.558	-	-	-	-	-	-	-	-	-	-	-	3.558
Potawatomi PILOT	-	-	-	-	-	-	-	3.380	-	-	-	0.960	4.340
Snow Removal	0.368	0.069	0.043	0.043	0.023	0.016	0.019	0.013	0.019	0.332	0.512	0.709	2.166
Year End Transfers	11.177	-	-	-	-	-	-	-	-	-	-	(4.500)	6.677
Note Proceeds ⁽¹⁾	-	-		17.000	66.000	-	-	-	-	-	-	-	83.000
TOTAL RECEIPTS	40.312	18.968	25.397	35.173	86.701	19.824	95.254	23.235	19.893	29.796	208.450	82.743	685.746

⁽¹⁾ Includes the delinquent tax financing portion of the G.O. Notes.

⁽²⁾ Maximum deficit occurs on November 5, 2004.

CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY
(MILLIONS OF DOLLARS) (CONTINUED)
JANUARY 1, 2004 TO DECEMBER 31, 2004

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	36.434	31.264	31.588	31.616	31.478	33.537	50.393	32.182	32.531	31.918	31.871	50.283	425.095
Services & Supplies	25.650	7.450	15.303	3.430	8.231	12.625	2.609	14.660	3.873	13.704	2.883	0.603	111.021
Purchase Tax Delinquents	-	22.209	-	-	-	-	-	-	-	-	-	-	22.209
Contractual Tax Payment	-	-	-	-	-	33.405	-	-	-	-	-	-	33.405
Note Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	66.000	66.000
TOTAL DISBURSEMENTS	62.084	60.923	46.891	35.046	39.709	79.567	53.002	46.842	36.404	45.622	34.754	116.886	657.730
BALANCE	99.398	57.443	35.949	36.076	83.068	23.325	65.577	41.970	25.459	9.633	183.329	149.186	
REPAYMENT FUND													
Balance												67,974	
Receipts:													
From General Fund											66.000		66.000
From Debt Service Fund											1,974		1,974
Disbursement												67,974	67,974
Balance											67,974		-

⁽¹⁾ Includes the delinquent tax financing portion of the G.O. Notes.

⁽²⁾ Maximum deficit occurs on November 5, 2004.

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Millions of Dollars)

	Beginning Cash Balance <u>(Deficit)</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance <u>(Deficit)</u>
January	\$116.951	\$32.698	\$67.599	\$82.050
February	82.050	15.717	60.338	37.429
March	37.429	36.679	46.578	27.530
April	27.530	127.667 ⁽¹⁾	47.469	107.728
May	107.728	21.116	49.170	79.674
June	79.674	15.810	82.507	12.977
July	12.977	94.351	53.034	54.294
August	54.294	21.728	45.661	30.361
September	30.361	19.772	34.101	16.032
October	16.032	28.106	44.434	(0.296)
November	(0.296)	217.328	34.468	182.564
December ⁽³⁾	182.564	<u>86.487</u>	<u>147.881</u> ⁽²⁾	121.170
		<u>\$717.459</u>	<u>\$713.240</u>	

Notes:

(1) Proceeds from the sale of revenue anticipation Short-Term Promissory Notes was \$98 million in April, 2003.

(2) December disbursements include the \$98 million principal payment on December 15.

(3) Estimated.

CITY OF MILWAUKEE
GENERAL FUND
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For The Year Ended December 31, 2004
(Millions of Dollars)

	Beginning Cash Balance (Deficit)	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance (Deficit)	Ending Cash Balance Including Borrowing of \$ 66 Million
January	\$121.170	\$40.312	\$62.084	\$99.398	\$99.398
February	99.398	18.968	60.923	57.443	57.443
March	57.443	25.397	46.891	35.949	35.949
April	35.949	1835.173	35.046	36.076	36.076
May	36.076	20.701	39.709	17.068	83.068 ⁽¹⁾
June	17.068	19.824	79.567	(42.675)	23.325
July	(42.675)	95.254	53.002	(0.423)	65.577
August	(0.423)	23.235	46.842	(24.030)	41.970
September	(24.030)	19.893	36.404	(40.541)	25.459
October	(40.541)	29.796	45.622	(56.367)	9.633
November	(56.367)	208.450	34.754	117.329	183.329 ⁽²⁾
December	117.329	<u>82.743</u>	<u>50.886</u>	149.186	149.186
		<u>\$619.746</u>	<u>\$591.730</u>		

(1) Balance includes \$66 million RAN principal receipt.

(2) Balance includes \$66 million principal to be paid in December, 2004.

CITY OF MILWAUKEE
SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS 2003
(Millions of Dollars)

	<u>General Fund ⁽¹⁾</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u>	<u>Total</u>
January	\$99.398	\$231.842	\$75.920	\$543.311	\$950.471
February	57.443	218.418	82.120	494.398	852.379
March	35.949	198.328	78.400	579.760	892.437
April	36.076	216.721	83.105	500.181	836.083
May	83.068	212.631	85.937	438.473	820.109
June	23.325	180.639	83.130	520.264	807.358
July	65.577	168.277	90.858	458.348	783.060
August	41.970	162.007	93.165	403.388	700.530
September	25.459	138.547	85.165	415.851	665.022
October	9.633	181.599	86.329	479.813	757.374
November	183.329	181.073	84.499	440.512	889.413
December	149.186	181.325	71.349	744.693	1,146.553

(1) Balances include proceeds from the sale of the RANs and subsequent principal payment.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp..

CITY OF MILWAUKEE
PROJECTED SCHEDULE OF CASH AND INVESTMENT
BALANCES-ALL FUNDS - 2004
(Millions of Dollars)

	<u>General Fund ⁽¹⁾</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u>	<u>Total</u>
January	\$99.398	\$231.842	\$75.920	\$543.311	\$950.471
February	57.443	218.418	82.120	494.398	852.379
March	35.949	198.328	78.400	579.760	892.437
April	36.076	216.721	83.105	500.181	836.083
May	83.068	212.631	85.937	438.473	820.109
June	23.325	180.639	83.130	520.264	807.358
July	65.577	168.277	90.858	458.348	783.060
August	41.970	162.007	93.165	403.388	700.530
September	25.459	138.547	85.165	415.851	665.022
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November	183.329	181.073	84.499	440.512	889.413
December	149.186	181.325	71.349	744.693	1,146.553

(1) Balances include proceeds from the sale of the RANs and subsequent principal payment.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp..

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

	Year 1999 For 2000 Purposes	Year 2000 For 2001 Purposes	Year 2001 For 2002 Purposes	Year 2002 For 2003 Purposes	Year 2003 For 2004 Purposes
Real Property					
Residential	\$9,163,659,090	\$10,292,622,989	\$10,358,670,619	\$12,027,394,755	12,938,633,380
Industrial (Manufacturing)	633,181,600	741,471,600	717,830,700	765,130,300	729,858,200
Mercantile	5,103,186,557	5,612,521,788	5,716,180,475	6,176,332,500	6,493,804,441
Total Real Property	\$14,900,027,247	\$16,646,616,377	\$16,792,681,794	\$18,968,857,555	\$20,162,296,021
Personal Property	873,822,920	936,378,220	907,102,600	897,397,660	847,221,220
Total Assessed Valuations	<u>\$15,773,850,167</u>	<u>\$17,582,994,597</u>	<u>\$17,699,784,394</u>	<u>\$19,866,255,215</u>	<u>\$21,009,517,241</u>
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$16,701,225,300	\$17,344,251,400	\$19,453,830,200	\$20,275,936,700	\$21,730,754,000
Ratio of Assessed to Equalized Valuation	94.45%	101.40%	91.00%	98.00%	96.68%

**CITY OF MILWAUKEE
ASSESSED TAX RATES
(PER \$1,000 OF ASSESSED VALUATION)**

	2000	2001	2002	2003	2004
Unit of Government					
City Government ⁽¹⁾	\$9.69	\$10.49	\$10.87	\$10.15	\$9.73
Milwaukee Public Schools	10.38	9.87	10.12	9.34	8.96
Milwaukee County	6.03	5.66	6.13	5.40	5.13
Milwaukee Area Technical College	2.16	2.00	2.23	2.05	2.04
Milwaukee Metropolitan Sewerage District	1.80	1.68	1.87	1.74	1.64
Gross Tax Rate Per \$1,000	\$30.06	\$29.70	\$31.22	\$28.68	\$27.50
Less: State Tax Credit	2.00	1.69	1.66	1.43	1.36
Net Tax Rate	<u>\$28.06</u>	<u>\$28.01</u>	<u>\$29.56</u>	<u>\$27.25</u>	<u>\$26.14</u>

(1) Includes School Debt Service (\$0.65 in 2002).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS**

City of Milwaukee
Property Tax Levies and Collections ⁽¹⁾

Collection Year	Total Tax Levy	<u>Current Tax Collection</u>		Delinquent Tax Collections ⁽²⁾	<u>Total Tax Collections</u>		Outstanding Delinquent Taxes
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>	
1999	\$487,364,300	\$476,603,843	97.79%	\$8,573,206	\$485,177,049	99.55%	\$21,569,378
2000	474,230,849	460,458,659	97.10	11,289,351	471,748,010	99.48	24,052,217
2001	522,236,846	509,440,570	97.55	14,805,255	524,245,825	100.38	22,043,238
2002	552,490,450	538,742,161	97.51	13,926,347	552,668,508	100.03	21,865,180
2003	569,696,984	554,540,917	97.34	12,400,491	566,941,408	99.52	24,620,756

⁽¹⁾ Includes overlapping portion from all taxing bodies.

City portion is approximately 35% of the dollar amounts shown.

⁽²⁾ Includes amounts from any prior year collected in that year.

COLLECTION PROCEDURES

If no payment of property taxes is received in January, the taxes become delinquent as of February 1. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 15.

A letter is mailed to the taxpayer shortly after February 1st, telling of the delinquency and suggesting partial payments if full payment cannot be made. As directed by State of Wisconsin Statutes, Chapter 74, interest at the rate of 1 percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

Taxpayers are given every opportunity to pay their delinquent taxes and satisfactory agreements are arranged to bring this about. If a property owner continues to remain delinquent and the Treasurer's Office is unable to reach an arrangement by which the owner will pay the taxes, the Treasurer's Office starts foreclosure proceedings. The City enforces its own delinquent tax collections.

Taxes are foreclosed under State of Wisconsin Statutes Section 75.521, which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at this historically high level. Current collections for 2003 were approximately 97.34 percent of the total tax levied.

INSURANCE

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City does carry a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City of Milwaukee is established pursuant to Section 36 of the Milwaukee City Charter.

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals approximately 13,000 active and 3,800 vested, inactive members at December 31, 2002. There were approximately 10,200 retirees and beneficiaries receiving benefits as of December 31, 2002.

Funding of the System, a defined benefit plan, is derived from employee and employer contributions. Current employee contributions to the System are based on a percentage of compensation as follows:

General Municipal ⁽¹⁾	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

(1) Including non-certified School Board, Milwaukee Area Technical College, and all Milwaukee Metropolitan Sewerage District and Wisconsin Center employees.

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions which are actuarially determined based upon normal cost and amortization of past service liability. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2001, the latest year for which audited figures are available, required member contributions totaled \$28.1 million and required employer contributions totaled \$144,000. Of the \$28.1 million required member contributions, \$2.5 million was funded through a transfer from the Employers Reserve Fund. Approximately 73% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.021 billion with a corresponding market value of \$3.817 billion or 126% of the original cost at December 31, 2001.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five (5) years for the purpose of reviewing assumptions. The last actuarial study was completed by Buck Consultants covering experience from January 1, 1997 to December 31, 2001. The study recommended approximately 20 changes to plan assumptions, which were adopted by the Annuity and Pension Board effective January 1, 2003. The more noteworthy updates include a revised set of mortality tables, a reduction in the inflation rate, and changes in retirement rates for police, fire, and general city employees.

The latest actuarial valuation was completed on January 1, 2002. The valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board (GASB) Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$4.202 billion as of January 1, 2001 and an Actuarial Accrued Liability of \$2.988 billion as of that date. This results in a Funded Ratio of 140.6% after consideration of the Global Pension Settlement.

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to entrants and widows, exclusive of duty disability benefits, beginning in February, 1990 in consideration of a single premium payment on January 31, 1990 in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board and the Firemen's Annuity and Benefits Fund ceased to exist. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

The Policemen's Annuity and Benefit Fund is established pursuant to section 35 of the Milwaukee City Charter.

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to January 1, 1948. Membership at March 1, 2003 totaled no active and approximately 250 retired members.

Funding is derived from employee and employer contributions. Employee contributions total six percent of compensation which is entirely paid by the City. Employer contributions are actuarially determined and based on normal cost and amortization of past service liability. There is an unfunded past service liability for the Policemen's Annuity and Benefit Fund at year-end 2001 in the amount of \$1,955,368 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated June 12, 2002.

For the year ended December 31, 2001, employer contributions totaled \$4,463. Assets of the Policemen's Annuity and Benefit Fund at December 31, 2001, totaled \$8,413,154 at cost. Market value of Policemen's Annuity and Benefit Fund assets was \$8,613,542 or 102.4 percent of cost at December 31, 2001.

It is the opinion of the actuaries of the above Policemen's Annuity and Benefit Fund that based on the present amortization payments, the Policemen's Annuity and Benefit Fund is actuarially sound and that all future benefit payments will be made.

BOOK-ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a document prepared by The Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, NY, will act as securities depository for the Offered Obligations. The Offered Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Offered Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Offered Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Obligations on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Obligations, except in the event that use of the book-entry system for the Offered Obligations is discontinued.

To facilitate subsequent transfers, all Offered Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Offered Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Offered Obligations at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OFFERED OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE OFFERED OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE OFFERED OBLIGATIONS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF OFFERED OBLIGATIONS.

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LEGAL MATTERS

LITIGATION STATEMENT

The City, its boards, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City of Milwaukee does not carry a blanket policy of insurance against tort liability. In addition, §893.80, Stats. limits the amount recoverable against a political corporation, its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on April 8, 2004.

U.S. Department of Justice Pattern and Practice Investigation-Milwaukee Police Department. The Equal Employment Opportunity Commission (the "EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission (the "FPC") and Milwaukee Police Department (the "MPD") discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The 15 individual charges could become individual lawsuits if the charging parties request and receive Right to Sue letters; however, the City cannot anticipate with any accuracy at this time if, indeed, there will be individual lawsuits, and if so, how many of the 15 individual charging parties will file a lawsuit. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit has been authorized against the City and the FPC on the basis of the information provided by the EEOC and upon further information compiled by the DOJ since the matter was referred to them. DOJ alleges that between 1991 and 1996, African Americans were discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. DOJ had requested \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African Americans who failed background investigations. In December 2001, the City indicated it was unwilling to negotiate in the range DOJ requested. The City suggested that DOJ issue individual Right to Sue Letters to the claimants rather than pursue the City on a pattern and practice basis, or review their requests for settlement in a more realistic range. Since December 2001, DOJ has issued a number of Right to Sue Letters to claimants involved in the charges. Although the DOJ has not formally stated its intentions to either abandon the pattern and practice matter or renew negotiations, counsel has been advised that it will do so after completing its review of several remaining charges. It is possible the DOJ could sue on behalf of one or more remaining charging parties, but this is not likely.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. FPC). Potential litigation concerning the Firefighter selection procedures of 1993, 1995 and 1999 has been averted and the matter settled by an approved Supplemental Order of the United States District Court dated November 30, 2001, under Civil Action Case No. 74-C-480. It originated with EEOC charges filed by the Brotherhood of Firefighters on October 30, 1996 and February 26, 1997, alleging discrimination on the basis of race (African-American) with respect to: 1) hiring; 2) promotion; 3) terms and conditions of employment; and 4) discipline. On December 10, 1999 the EEOC issued a Reasonable Cause Determination, and had sought damages of approximately \$12 million. On October 4, 2000, the EEOC referred the matter to the DOJ. DOJ conducted its own investigation of the charges as well as a like and related matter: the 1999 entry-level examination for firefighter. DOJ, the Brotherhood of Firefighters and the City entered into a settlement agreement concerning the recruitment and hiring charges for Cadet and entry level firefighters, and the 1993, 1995 and 1999 examinations. The settlement did not cover the promotional charges; however, the DOJ subsequently issued right to sue letters concerning those charges. No timely suit was filed by charging parties, and those issues are not time barred. The settlement agreement for the entry-level examinations is in the form of a Supplemental Order to an existing consent decree in Civil Action No. 74-C-480. The United States District Court approved the Order on November 30, 2001. The Order obligates the City of pay a total of \$1.8 million in back pay, payable in three annual installments of \$600,000 each commencing in

January, 2002. In addition, the City will contribute the employer portion of Medicare Tax on the back pay award, and will provide up to 40 priority appointments of African Americans who were the victims of past discrimination to the position of Firefighter, with retroactive seniority and pension benefits. The first two installments of \$600,000 have been paid, and the third installment has been reserved in the Damages and Claims fund. The cost of providing such retroactive pension benefits are unknown but is anticipated to exceed \$615,000.

Alexander, et al v. City of Milwaukee, et al. Starting in October 2002, seventeen white male lieutenants in the MPD filed a series of EEOC charges alleging discrimination on the basis of race and gender in their failure to be promoted to the rank of Captain of Police. The EEOC concluded its investigation without finding cause, and issued notice of rights to sue letters, on April 1, 2003. The seventeen plaintiffs filed suit in the above captioned matter on June 27, 2003. The complaint alleges a class action on behalf of all white male lieutenants of the MPD who have sought or will seek promotion from the position of lieutenant to captain, or who in the future will be denied equal employment opportunity by the MPD due to their being white males. The Complaint names the City, the Board of the FPC, and former Chief of Police Arthur Jones in his individual and official capacity. It also names each of the FPC Commissioners as of the suit's commencement, in their individual and official capacities. The Complaint alleges violations of Title VII of the Civil Rights Act of 1964, as amended as well as equal protection violations actionable under 42 U.S.C. §§1983 and 1981. Plaintiffs seek compensatory damages in the sum of \$300,000 each, plus unspecified sums in punitive damages, as well as other relief available such as attorneys' fees and costs. Defendants have answered and intend to vigorously defend the action. In December 2003, the Court denied plaintiffs' motion for class certification without prejudice. That issue could potentially be raised again in the future. Extensive discovery is currently being taken. Trial dates are set for March and April 2005. If plaintiffs are successful, damages could exceed \$5 million.

Nelson, et al v. City of Milwaukee, et al. Eleven white male lieutenants in the Milwaukee Fire Department filed EEOC charges beginning in March, 2003 alleging race discrimination in connection with the administration of the civil service examination for Fire Captain. The EEOC concluded its investigation and issued notice of rights letters, finding no cause, on July 31, 2003. The eleven plaintiffs filed suit in the above captioned matter on October 10, 2003. The complaint names the City and Jane French, a Senior Personnel Analyst for the FPC. The complaint alleges intentional discrimination based upon race and gender (white males) in manipulating test results to allow for promotion of African-American Fire Lieutenants at a disproportionate rate. The complaint alleges violations of Title VII of the civil Rights Act of 1964, as amended as well as equal protection violations actionable under 42 U.S.C. §§1981 and 1983. Plaintiffs seek compensatory damages in the sum of \$300,000 each, plus an unspecified sum in punitive damages. Defendants have answered and intend to vigorously defend the action. The Court has set trial dates in May, April and February 2005. If plaintiffs are successful, damages could exceed \$3 million.

Estate of Justin Fields, et al. v. City of Milwaukee, et al. This case involves a fatal police shooting, which occurred on March 2, 2003. While arresting two drunk and disorderly men at bar time on Water Street, Officers Craig Nawotka and Thomas Brummond observed a car fail to yield to an emergency vehicle. Officer Nawotka approached the vehicle, and its driver, Mr. Fields, exchanged words with the officer and fled the scene. A vehicular pursuit ensued, and came to a stop on North Martin Luther King Drive, after the Fields vehicle collided with another car. Believing that the car was unable to move and that its occupants might be injured, the officers approached the Fields vehicle. The vehicle then accelerated toward the officers. Officer Nawotka believed his life and that of others was in danger, and he fired his weapon at the driver. Mr. Fields died at the scene. The case is in the initial stages of litigation. The City anticipates a full discovery process, dispositive motions, and ultimately, if motions fail, a trial.

Pasko, et al. v. City of Milwaukee, et al. This action was brought by 23 individually named plaintiffs who are or were Milwaukee Police Officers underfilling the position of Police Alarm Operator, and their union, the Milwaukee Police Association (the "Union"). Plaintiffs sought a writ of mandamus to compel the defendants to promote the active police officers to the rank of Police Alarm Operator and to compel adjustments in the pension of the retired officer. The trial court ruled that plaintiffs were barred by the doctrine of claim preclusion from bringing this action, which sought to compel their promotions to the rank of Police Alarm Operator. During oral argument on the motion for summary judgment, plaintiffs acknowledged that the action was barred as to the individually named plaintiffs. The Union appealed to the Court of Appeals, which reversed the trial court's ruling that the Union's action was barred by claim preclusion.

Defendants' petition for review by the Wisconsin Supreme Court was granted. The Supreme Court affirmed the ruling of the Court of Appeals regarding the Union being barred from bringing the action. Both the Supreme Court and the Court of Appeals reaffirmed that the individual plaintiffs had conceded that their action was barred by claim preclusion.

The original complaint sought a writ of mandamus based on an alleged right to promotion to Police Alarm Operator expressed in: (1) Wis. Stat. § 62.50(9); (2) the collective bargaining agreement between the Union and the City; and (3) the decision of the Court of Appeals in an earlier litigation.

In reviewing the sufficiency of the complaint, the Supreme Court expressly ruled that the statute plaintiffs relied on did not require the promotions as alleged, and that the Court of Appeals' decision in the earlier litigation did not require the promotions as alleged in the complaint. The entire collective bargaining agreement was not a part of the record and the Court remanded the case to the trial court for a finding as to: (1) whether any vacancies in the position of Police Alarm Operator currently exist; (2) whether the collective bargaining agreement required the City to promote patrolmen immediately as vacancies occurred; and (3) whether the position was considered a "newly created office."

On remand to the trial court, the Union filed an amended complaint and cross-claim seeking a declaratory judgment regarding defendants' earlier transfer of squad dispatching duties to a newly created classification of employees in the Police Department. Subsequent to a trial on the merits on May 5-7, 2003, the trial court issued a decision and order adjudicating the issues. The trial court denied a writ of mandamus. The court granted the Union's claim for a declaratory judgment and ordered that the City violated the collective bargaining agreement when it failed to engage in good-faith bargaining about its decision to eliminate the Police Alarm Operator positions and to create the civilian Police Dispatcher position. The City has appealed to the Court of Appeals.

LEGAL OPINIONS

The legal opinions of Hawkins Delafield & Wood LLP, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Offered Obligations. Drafts of the legal opinions for the Offered Obligations are included herein as Appendix B.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the G.O. Notes and G.O. Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the G.O. Notes and G.O. Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the G.O. Notes and G.O. Bonds when due as set forth in the form of the Policy included as an Appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,104,257,000 and its total unearned premium reserve was approximately \$1,356,385,000 in accordance with statutory accounting practices. At December 31, 2003, Financial Security's total shareholders' equity was approximately \$2,307,646,000 and its total net unearned premium reserve was approximately \$1,166,562,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the G.O. Notes and G.O. Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the G.O. Notes and G.O. Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the G.O. Notes and G.O. Bonds or the advisability of investing in the G.O. Notes and G.O. Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

TAX STATUS

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Offered Obligations is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), as amended and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinions, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Offered Obligations, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Obligations from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Offered Obligations. Bond Counsel renders their opinions under existing statutes and court decisions as of the issue date, and assumes no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Offered Obligations.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Obligations in order that interest on the Offered Obligations be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Obligations, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Offered Obligations to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Offered Obligations from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Offered Obligations. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of an Offered Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Offered Obligations.

Prospective owners of the Offered Obligations should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Offered Obligations may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds and notes is regularly proposed. There can be no assurance that legislation enacted or proposed by the United States Congress after the date of issuance of the Offered Obligations will not have an adverse effect on the tax-exempt status or market price of the Offered Obligations.

STATE TAX MATTERS

Interest on the Offered Obligations is not exempt from State of Wisconsin income tax or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The Issuer will not designate the Offered Obligations as “qualified tax-exempt obligations” for purposes of Section 265 (b)(3) of the Code.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the Issuer shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Offered Obligations to provide certain financial information and operating data relating to the Issuer to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Master Continuing Disclosure Certificate and Addendums, which shall be made applicable to the Offered Obligations pursuant to Schedules to be executed and delivered by the Issuer at the time the Offered Obligations are delivered. Such Certificate, Addendums, and Schedules will be in substantially the form attached hereto as Appendix C. The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the Issuer to comply with the Undertaking will not constitute an event of default on the Offered Obligations (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Offered Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Offered Obligations and their market price.

RATINGS

The City has requested ratings on the Offered Obligations from FITCH Ratings, Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. FITCH Ratings has assigned a rating of “AA+” on the G.O. Bonds and G.O. Notes. Moody's Investors Service, Inc. has assigned a rating of “Aa2” on the G.O. Bonds and G.O. Notes. Standard & Poor's Ratings Group has assigned a rating of “AA” on the G.O. Bonds and G.O. Notes.

Additionally, with respect the G.O. Notes and G.O. Bonds, Fitch Ratings, Moody's Investors Service, Inc. and Standard and Poor's Ratings Group have assigned their municipal bond ratings of “AAA”, “Aaa” and “AAA”, respectively, to the G.O. Notes and G.O. Bonds, with the understanding that upon delivery of the G.O. Notes and G.O. Bonds, a municipal bond insurance policy insuring the payment when due of the principal of and interest on the G.O. Notes and G.O. Bonds will be issued by Financial Security Assurance Inc.

In addition, the City has received ratings on the RANs from Fitch Ratings, Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. FITCH Ratings has assigned a rating of "F1+" on the RANs. Moody's Investors Service, Inc. has assigned a rating of "MIG 1" on the RANs. Standard & Poor's Ratings Group has assigned a rating of "SP-1+" on the RANs.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Offered Obligations.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations. The Financial Advisor has requested and the City has consented to the Financial Advisor submitting bids for the Offered Obligations.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Offered Obligations or the financial condition of the City.

UNDERWRITING

The Offered Obligations have been purchased at competitive bidding conducted on April 21, 2004.

The award of the G.O. Notes and G.O. Bonds was made to Banc of America Securities, LLC, its co-managers and associates.

The award of \$46,000,000 RANs was made to Bear, Stearns & Co., Inc., its co-managers and associates.

The award of \$20,000,000 RANs was made to Piper Jaffray & Co., its co-managers and associates.

The public reoffering yields of the Offered Obligations are detailed on the inside front cover of this Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Offered Obligations by the Underwriters thereof, the City will furnish to the Underwriters the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinions as to the legality of the Offered Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Hawkins Delafield & Wood LLP, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Offered Obligations within seven business days after the award of the Offered Obligations in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

To the best of its knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Additional information may be obtained from the undersigned City Comptroller upon request.

W. MARTIN MORICS, City Comptroller and Secretary
City of Milwaukee, Public Debt Commission
City Hall, Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-2301

/s/ W. Martin Morics

Comptroller
City of Milwaukee, Wisconsin

April 21, 2004

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APPENDIX A

**Audited General Purpose Financial Statements of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2002**

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CITY OF MILWAUKEE
Financial Statements
For the Year Ended December 31, 2002
(Excerpts From Annual Financial Report)

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777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

As discussed in note 1 to the financial statements, the City adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* during the year ended December 31, 2002.





The budgetary comparison information on Exhibit E-1 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

July 29, 2003

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2002
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 253,929	\$ 35,240	\$ 289,169	\$ 55,380
Investments	62,290	-	62,290	34,781
Receivables (net):.....				
Taxes	154,275	-	154,275	1,928
Accounts	28,833	24,916	53,749	-
Unbilled accounts	1,108	14,463	15,571	-
Special assessments	13,180	-	13,180	-
Notes and loans	29,703	-	29,703	70,160
Accrued interest	745	42	787	661
Due from component units	23,642	-	23,642	-
Due from primary government	-	-	-	911
Due from other governmental agencies	154,051	-	154,051	10,642
Inventory of materials and supplies	5,962	2,263	8,225	-
Inventory of property for resale	26	-	26	10,192
Prepaid items	759	1	760	2,368
Deferred charges	1,248	347	1,595	-
Other assets	<u>-</u>	<u>299</u>	<u>299</u>	<u>2,172</u>
 Total non-capital assets	 <u>\$ 729,751</u>	 <u>\$ 77,571</u>	 <u>\$ 807,322</u>	 <u>\$ 189,195</u>
Capital assets:				
Capital assets not being depreciated:				
Land	162,342	19,280	181,622	48,707
Construction in progress	65,964	29,334	95,298	58,704
Capital assets being depreciated:				
Buildings	117,725	81,164	198,889	282,859
Infrastructure	1,221,772	533,407	1,755,179	-
Improvements other than buildings	8,199	23,010	31,209	204
Machinery and equipment	97,384	195,411	292,795	3,503
Furniture and furnishings	-	53	53	-
Nonutility property	-	540	540	-
Accumulated depreciation	<u>(845,672)</u>	<u>(262,558)</u>	<u>(1,108,230)</u>	<u>(152,030)</u>
 Total Capital Assets	 <u>\$ 827,714</u>	 <u>\$ 619,641</u>	 <u>\$ 1,447,355</u>	 <u>\$ 241,947</u>
 Total Assets	 <u>\$ 1,557,465</u>	 <u>\$ 697,212</u>	 <u>\$ 2,254,677</u>	 <u>\$ 431,142</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2002
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 31,055	\$ 9,477	\$ 40,532	\$ 12,184
Accrued expenses	31,344	2,757	34,101	2,704
Internal balances	7,644	(7,644)	-	-
Due to component units	911	-	911	-
Due to other governmental agencies	1,662	-	1,662	3,322
Deferred revenue	244,540	103	244,643	3,914
Revenue anticipation notes payable	133,000	-	133,000	-
Other payables	-	-	-	-
Accrued interest payable	7,183	-	7,183	-
Other liabilities	-	-	-	19,955
Due to primary government:				
Due within on year	-	-	-	3,997
Due in more than one year	-	-	-	19,645
Long-term obligations:				
Due within on year	89,594	11,518	101,112	2,337
Due in more than one year	<u>579,647</u>	<u>103,279</u>	<u>682,926</u>	<u>54,306</u>
 Total Liabilities	<u>\$ 1,126,580</u>	<u>\$ 119,490</u>	<u>\$ 1,246,070</u>	<u>\$ 122,364</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 392,967	\$ 506,502	\$ 899,469	\$ 210,688
Restricted for:				
Debt Service.....	113,999	3,715	117,714	-
Capital Projects	21,613	-	21,613	-
Other purposes	276	-	276	17,260
Unrestricted	<u>(97,970)</u>	<u>67,505</u>	<u>(30,465)</u>	<u>80,830</u>
 Total Net Assets	<u>\$ 430,885</u>	<u>\$ 577,722</u>	<u>\$ 1,008,607</u>	<u>\$ 308,778</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Thousands of Dollars)

Exhibit 2

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental Activities:				
General government	\$ 159,681	\$ 14,411	\$ 1,911	\$ -
Public safety	229,167	8,081	16,253	-
Public works	132,198	31,652	3,920	-
Health	22,125	877	11,668	-
Culture and recreation	22,924	2,308	2,102	-
Conservation and development	50,828	420	32,256	-
Capital contribution to Milwaukee Public				
Schools	18,725	-	-	-
Contributions	20,378	-	21,107	-
Interest on long-term debt	29,908	-	-	-
Total Governmental Activities	<u>\$ 685,934</u>	<u>\$ 57,749</u>	<u>\$ 89,217</u>	<u>\$ -</u>
Business-type Activities:				
Water	\$ 52,821	\$ 74,300	\$ -	\$ 356
Sewer Maintenance	24,214	28,007	-	-
Parking	21,893	37,735	-	-
Port of Milwaukee	3,177	3,446	-	752
Metropolitan Sewerage District				
User Charges	30,747	29,970	-	-
Total Business-type Activities	<u>\$ 132,852</u>	<u>\$ 173,458</u>	<u>\$ -</u>	<u>\$ 1,108</u>
Total Primary Government	<u>\$ 818,786</u>	<u>\$ 231,207</u>	<u>\$ 89,217</u>	<u>\$ 1,108</u>
Component units:				
Housing Authority	\$ 69,483	\$ 17,004	\$ 36,612	\$ 12,756
Redevelopment Authority	5,459	592	-	-
Milwaukee Economic Development Authority	1,317	2,148	-	30
Neighborhood Improvement Development				
Corporation	6,626	2,457	4,871	215
Total Component Units	<u>\$ 82,885</u>	<u>\$ 22,201</u>	<u>\$ 41,483</u>	<u>\$ 13,001</u>

General revenues:	
Property taxes and other taxes	
State aids for General Fund	
Grants and contributions not restricted to specific programs	
Miscellaneous	
Transfers	
Total General Revenues and Transfers	
Change in Net Assets	
Net Assets - Beginning	
Net Assets - Ending	

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (143,359)		\$ (143,359)	
(204,833)		(204,833)	
(96,626)		(96,626)	
(9,580)		(9,580)	
(18,514)		(18,514)	
(18,152)		(18,152)	
(18,725)		(18,725)	
729		729	
(29,908)		(29,908)	
<u>\$ (538,968)</u>		<u>\$ (538,968)</u>	
\$ -	\$ 21,835	\$ 21,835	
-	3,793	3,793	
-	15,842	15,842	
-	1,021	1,021	
-			
-	(777)	(777)	
<u>\$ -</u>	<u>\$ 41,714</u>	<u>\$ 41,714</u>	
<u>\$ (538,968)</u>	<u>\$ 41,714</u>	<u>\$ (497,254)</u>	
			\$ (3,111)
			(4,867)
			861
			917
			<u>\$ (6,200)</u>
\$ 207,944	\$ -	\$ 207,944	\$ 1,865
283,068	-	283,068	-
-	-	-	508
57,999	686	58,685	2,621
11,151	(11,151)	-	-
<u>\$ 560,162</u>	<u>\$ (10,465)</u>	<u>\$ 549,697</u>	<u>\$ 4,994</u>
\$ 21,194	\$ 31,249	\$ 52,443	\$ (1,206)
409,691	546,473	956,164	309,984
<u>\$ 430,885</u>	<u>\$ 577,722</u>	<u>\$ 1,008,607</u>	<u>\$ 308,778</u>

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit A-1

General

ASSETS

Assets:	
Cash and cash equivalents	\$ 116,951
Investments	-
Receivables (net):	
Taxes	99,518
Accounts	21,935
Unbilled accounts	1,108
Special assessments	-
Notes and loans	559
Accrued interest	470
Due from other funds	11,363
Due from component units	3,997
Due from other governmental agencies	1,116
Advances to other funds	13,027
Inventory of materials and supplies	5,775
Inventory of property for resale	26
Prepaid items	655
Restricted Assets:	
Investments	276
Total Assets	<u>\$ 276,776</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 19,022
Accrued expenses	30,668
Due to other funds	3,757
Due to component units	-
Due to other governmental agencies	7
Deferred revenue	137,312
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>\$ 190,766</u>
Fund Balances:	
Reserved for debt service	\$ -
Reserved for delinquent taxes receivable	-
Reserved for encumbrances, prepaids, and carryovers	36,585
Reserved for inventory	5,801
Reserved for mortgage trust	276
Reserved for environmental remediation	303
Reserved for tax stabilization - 2003	9,300
Reserved for tax stabilization - 2004 and subsequent years' budgets and advances to other funds	33,745
Unreserved:	
Special assessment (deficit)	-
Total Fund Balances	<u>\$ 86,010</u>
Total Liabilities and Fund Balances	<u>\$ 276,776</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 75,336	\$ 11,270	\$ 35,883	\$ 14,489	\$253,929
-	62,014	-	-	62,014
39,833	-	6,797	8,127	154,275
-	-	2,494	4,404	28,833
-	-	-	-	1,108
-	-	13,180	-	13,180
23,449	-	-	5,695	29,703
25	249	-	1	745
-	-	-	-	11,363
19,645	-	-	-	23,642
133,000	-	6,026	13,909	154,051
-	-	-	-	13,027
-	-	187	-	5,962
-	-	-	-	26
104	-	-	-	759
-	-	-	-	276
<u>\$291,392</u>	<u>\$ 73,533</u>	<u>\$ 64,567</u>	<u>\$ 46,625</u>	<u>\$752,893</u>
\$ 104	\$ -	\$ 5,234	\$ 6,695	\$ 31,055
-	-	292	384	31,344
7,844	-	-	7,406	19,007
-	-	-	911	911
-	-	100	1,555	1,662
109,978	-	24,301	16,089	287,680
133,000	-	-	-	133,000
-	-	13,027	-	13,027
<u>\$250,926</u>	<u>\$ -</u>	<u>\$ 42,954</u>	<u>\$ 33,040</u>	<u>\$517,686</u>
\$ 40,466	\$ 73,533	\$ -	\$ 8,347	\$122,346
-	-	-	5,238	5,238
-	-	33,323	-	69,908
-	-	187	-	5,988
-	-	-	-	276
-	-	-	-	303
-	-	-	-	9,300
-	-	-	-	33,745
-	-	(11,897)	-	(11,897)
<u>\$ 40,466</u>	<u>\$ 73,533</u>	<u>\$ 21,613</u>	<u>\$ 13,585</u>	<u>\$235,207</u>
<u>\$291,392</u>	<u>\$ 73,533</u>	<u>\$ 64,567</u>	<u>\$ 46,625</u>	<u>\$752,893</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 235,207

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	162,342	
Buildings, net of \$57,171 accumulated depreciation		60,554	
Infrastructure, net of \$710,098 accumulated depreciation		511,674	
Improvements Other than buildings, net of \$6,336 accumulated depreciation		1,863	
Machinery and equipment, net of \$72,067 accumulated depreciation		25,317	
Construction work in progress		<u>65,964</u>	
			827,714

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,248

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year end	\$	7,668	
Special assessments to be collected after year end		12,023	
Notes and loans receivable to repay long-term bonds and notes		<u>23,449</u>	
			43,140

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year, the City refunded some of its existing debt. The payment to the refunded bond escrow consisted of the proceeds of the new debt \$136,629 plus a premium of \$15,474 less issuance costs of \$1,104 to retire \$139,135 of old debt. The total deferred amount, old debt \$139,135 less the new debt of \$136,629 less the premium plus the issuance costs equal to \$11,864 is being amortized as interest expense. The premium will be amortized as an adjustment to interest expense over the life of the new bonds.

Accrued interest payable	\$	(7,183)	
Bonds and Notes Payable		(591,155)	
Deferred amount on refunding		11,592	
Unamortized premiums		(18,776)	
Compensated absences		(36,859)	
Claims and judgments		<u>(34,043)</u>	
			(676,424)

Total net assets of governmental activities (Exhibit 1) **\$ 430,885**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 114,096
Other taxes	2,944
Special assessments	-
Licenses and permits	10,814
Intergovernmental	283,068
Charges for services	57,749
Fines and forfeits	5,210
Contributions received	21,107
Other	8,706
Total Revenues	<u>\$ 503,694</u>
Expenditures:	
Current:	
General government	\$ 179,023
Public safety	211,163
Public works	88,094
Health	10,552
Culture and recreation	18,791
Conservation and development	7,857
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>\$ 515,480</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (11,786)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	\$ -
Refunding bonds issued	-
Payment to refunded bond escrow agent	-
Issuance premium	-
Transfers in	28,955
Transfers out	(3)
Total Other Financing Sources and Uses	<u>\$ 28,952</u>
Net Change in Fund Balances	\$ 17,166
Fund Balances - Beginning, as Restated	<u>68,844</u>
Fund Balances - Ending	<u>\$ 86,010</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 58,916	\$ -	\$ 10,281	\$ 404	\$ 183,697
12,368	1,267	-	-	16,579
-	-	4,053	-	4,053
-	-	-	-	10,814
1,092	-	4,460	68,110	356,730
5,977	-	-	-	63,726
-	-	-	-	5,210
-	-	-	-	21,107
5,923	7,715	2,961	1,501	26,806
<u>\$ 84,276</u>	<u>\$ 8,982</u>	<u>\$ 21,755</u>	<u>\$ 70,015</u>	<u>\$ 688,722</u>
\$ -	\$ 3	\$ -	\$ 4,020	\$ 183,046
-	-	-	16,253	227,416
-	-	-	3,934	92,028
-	-	-	11,667	22,219
-	-	-	2,102	20,893
-	-	-	32,256	40,113
-	-	93,515	-	93,515
-	-	-	-	-
69,311	6,735	-	-	76,046
27,420	1,560	-	-	28,980
1,104	-	-	-	1,104
<u>\$ 97,835</u>	<u>\$ 8,298</u>	<u>\$ 93,515</u>	<u>\$ 70,232</u>	<u>\$ 785,360</u>
<u>\$ (13,559)</u>	<u>\$ 684</u>	<u>\$ (71,760)</u>	<u>\$ (217)</u>	<u>\$ (96,638)</u>
\$ -	\$ -	\$ 88,913	\$ 12,925	\$ 101,838
138,044	-	-	-	138,044
(150,999)	-	-	-	(150,999)
19,313	-	-	-	19,313
18,821	-	-	-	47,776
(13,291)	-	(5,016)	(18,315)	(36,625)
<u>\$ 11,888</u>	<u>\$ -</u>	<u>\$ 83,897</u>	<u>\$ (5,390)</u>	<u>\$ 119,347</u>
\$ (1,671)	\$ 684	\$ 12,137	\$ (5,607)	\$ 22,709
<u>42,137</u>	<u>72,849</u>	<u>9,476</u>	<u>19,192</u>	<u>212,498</u>
<u>\$ 40,466</u>	<u>\$ 73,533</u>	<u>\$ 21,613</u>	<u>\$ 13,585</u>	<u>\$ 235,207</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ 22,709

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$63,384) exceeded depreciation (\$39,702) in the current period. 23,682

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes collected after year end	\$ 7,668	
Special assessments deferred revenue beginning of the year \$12,436 less deferred at end of the year \$12,023 equals amount collected during the year	(413)	
		7,255

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Bonds and notes issued	\$ (138,044)	
Refunding bonds issued	(101,838)	
Issuance premiums	(19,313)	
Repayments:		
Payment to refunding bond escrow	150,999	
Principal retirement	76,021	
Bond issuance costs	1,288	
Amortization:		
Issuance costs	(40)	
Premiums	537	
Deferred amount on refunding	(272)	
		(30,662)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

The adjustment combines the net changes of the following balances.

Compensated absences	\$ (3,499)	
Claims and judgments	2,902	
Accrued interest on bonds and notes	(1,193)	
		(1,790)

Changes in net assets of governmental activities (Exhibit 2) \$ 21,194

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 17,642	\$ 588	\$ 12,342	\$ 953	\$ 31,525
Receivables (net):					
Accounts	10,658	6,956	-	7,302	24,916
Unbilled accounts	9,669	2,848	-	1,946	14,463
Accrued interest	35	7	-	-	42
Due from other funds	10,915	492	-	548	11,955
Inventory of materials and supplies	2,263	-	-	-	2,263
Prepaid items	-	-	1	-	1
Deferred charges	13	334	-	-	347
Other assets	299	-	-	-	299
Total Current Assets	<u>\$ 51,494</u>	<u>\$ 11,225</u>	<u>\$ 12,343</u>	<u>\$ 10,749</u>	<u>\$ 85,811</u>
Noncurrent assets:					
Restricted cash and cash equivalents	\$ -	\$ 3,715	\$ -	\$ -	\$ 3,715
Capital assets:					
Capital assets not being depreciated:					
Land	1,585	-	9,415	8,280	19,280
Construction in progress	12,210	17,124	-	-	29,334
Capital assets being depreciated:					
Buildings	22,430	-	49,035	9,699	81,164
Infrastructure	261,643	271,764	-	-	533,407
Improvements other than buildings	-	-	5,439	17,571	23,010
Machinery and equipment	188,696	1,288	592	4,835	195,411
Furniture and furnishings	-	22	-	31	53
Nonutility property	540	-	-	-	540
Accumulated depreciation	<u>(137,143)</u>	<u>(84,900)</u>	<u>(19,002)</u>	<u>(21,513)</u>	<u>(262,558)</u>
Total Noncurrent Assets	<u>\$ 349,961</u>	<u>\$ 209,013</u>	<u>\$ 45,479</u>	<u>\$ 18,903</u>	<u>\$ 623,356</u>
Total Assets	<u>\$ 401,455</u>	<u>\$ 220,238</u>	<u>\$ 57,822</u>	<u>\$ 29,652</u>	<u>\$ 709,167</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2002
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 1,117	\$ 1,590	\$ 774	\$ 5,996	\$ 9,477
Accrued expenses	1,334	722	448	140	2,644
Compensated absences	943	-	-	-	943
Due to other funds	1,549	-	-	2,762	4,311
General obligation debt payable - current	4,680	-	3,746	366	8,792
Revenue bonds payable - current	783	-	-	-	783
Deferred revenue	-	-	103	-	103
Total Current Liabilities	<u>\$ 10,406</u>	<u>\$ 2,312</u>	<u>\$ 5,071</u>	<u>\$ 9,264</u>	<u>\$ 27,053</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000
Accrued interest payable	-	113	-	-	113
Total Current Liabilities Payable from Restricted Assets	<u>\$ -</u>	<u>\$ 1,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113</u>
Noncurrent Liabilities:					
General obligation debt	\$ 38,087	\$ -	\$ 18,861	\$ 2,973	\$ 59,921
Revenue bonds payable	14,548	28,810	-	-	43,358
Total Noncurrent Liabilities	<u>\$ 52,635</u>	<u>\$ 28,810</u>	<u>\$ 18,861</u>	<u>\$ 2,973</u>	<u>\$ 103,279</u>
Total Liabilities	<u>\$ 63,041</u>	<u>\$ 32,235</u>	<u>\$ 23,932</u>	<u>\$ 12,237</u>	<u>\$ 131,445</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 291,863	\$ 176,203	\$ 22,872	\$ 15,564	\$ 506,502
Restricted	-	3,715	-	-	3,715
Unrestricted	46,551	8,085	11,018	1,851	67,505
Total Net Assets	<u>\$ 338,414</u>	<u>\$ 188,003</u>	<u>\$ 33,890</u>	<u>\$ 17,415</u>	<u>\$ 577,722</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 60,906	\$ -	\$ -	\$ -	\$ 60,906
Statutory sewer user fee	-	-	-	29,063	29,063
Sewer maintenance fee	-	27,922	-	-	27,922
Rent	-	-	6,829	3,446	10,275
Fire protection service	5,473	-	-	-	5,473
Parking meters	-	-	3,998	-	3,998
Parking permits	-	-	2,445	-	2,445
Vehicle towing	-	-	3,800	-	3,800
Parking forfeitures	-	-	20,232	-	20,232
Other	7,480	85	345	907	8,817
Total Operating Revenues	<u>\$ 73,859</u>	<u>\$ 28,007</u>	<u>\$ 37,649</u>	<u>\$ 33,416</u>	<u>\$ 172,931</u>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	\$ -	\$ -	\$ -	\$ 25,250	\$ 25,250
Employee services	-	6,857	5,716	1,449	14,022
Administrative and general	4,486	-	-	37	4,523
Depreciation	12,027	3,707	2,190	713	18,637
Transmission and distribution	16,803	-	-	3,704	20,507
Services, supplies and materials	-	8,426	12,258	958	21,642
Water treatment	8,463	-	-	-	8,463
Water pumping	5,595	-	-	-	5,595
Billing and collection	2,601	-	-	1,637	4,238
Total Operating Expenses	<u>\$ 49,975</u>	<u>\$ 18,990</u>	<u>\$ 20,164</u>	<u>\$ 33,748</u>	<u>\$ 122,877</u>
Operating Income (Loss)	<u>\$ 23,884</u>	<u>\$ 9,017</u>	<u>\$ 17,485</u>	<u>\$ (332)</u>	<u>\$ 50,054</u>
Nonoperating Revenues (Expenses):					
Investment income	\$ 386	\$ 300	\$ -	\$ -	\$ 686
Interest expense	(2,846)	(1,319)	(1,194)	(176)	(5,535)
Gain (loss) on disposal of fixed assets	-	(60)	(535)	-	(595)
Other	441	(3,845)	86	-	(3,318)
Total Nonoperating Revenues (Expenses)	<u>\$ (2,019)</u>	<u>\$ (4,924)</u>	<u>\$ (1,643)</u>	<u>\$ (176)</u>	<u>\$ (8,762)</u>
Income (Loss) before Contributions and Transfers..	\$ 21,865	\$ 4,093	\$ 15,842	\$ (508)	\$ 41,292
Capital contributions	\$ 356	\$ -	\$ -	\$ 752	\$ 1,108
Transfers in	7,395	-	-	532	7,927
Transfers out	(7,974)	-	(9,895)	(1,209)	(19,078)
Change in Net Assets	\$ 21,642	\$ 4,093	\$ 5,947	\$ (433)	\$ 31,249
Total Net Assets - Beginning, as Restated	<u>316,772</u>	<u>183,910</u>	<u>27,943</u>	<u>17,848</u>	<u>546,473</u>
Total Net Assets - Ending	<u>\$ 338,414</u>	<u>\$ 188,003</u>	<u>\$ 33,890</u>	<u>\$ 17,415</u>	<u>\$ 577,722</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 71,132	\$ 28,606	\$ 37,362	\$ 30,950	\$ 168,050
Cash receipts from other funds	496	-	-	-	496
Other operating cash receipts	-	85	329	-	414
Payments to suppliers	(15,368)	(8,015)	(12,407)	(33,613)	(69,403)
Payments to employees	(19,800)	(6,807)	(5,661)	(1,455)	(33,723)
Payments from other funds	-	-	-	2,303	2,303
Payments to other funds	(15,557)	(12,051)	-	-	(27,608)
Other payments	-	-	(1)	-	(1)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 20,903</u>	<u>\$ 1,818</u>	<u>\$ 19,622</u>	<u>\$ (1,815)</u>	<u>\$ 40,528</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	\$ 7,395	\$ -	\$ 1,172	\$ -	\$ 8,567
Transfers to other funds	(7,974)	-	(14,578)	(1,205)	(23,757)
Other nonoperating expense	-	(3,845)	-	-	(3,845)
Net Cash Used for Noncapital Financing Activities	<u>\$ (579)</u>	<u>\$ (3,845)</u>	<u>\$ (13,406)</u>	<u>\$ (1,205)</u>	<u>\$ (19,035)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	\$ -	\$ -	\$ 3,511	\$ 1,300	\$ 4,811
Proceeds from sale of bonds and notes	17,953	-	4,960	1,215	24,128
Acquisition of property, plant and equipment	(10,687)	(15,971)	(949)	-	(27,607)
Retirement of bonds, notes and revenue bonds	(5,717)	-	(3,511)	(353)	(9,581)
Payment to refunded bond escrow agent	(18,405)	-	(4,432)	(1,088)	(23,925)
Interest paid	(2,404)	(1,357)	(1,078)	(153)	(4,992)
Transfers to other funds	-	-	-	176	176
Repairs and restorations	-	-	-	(196)	(196)
Other	-	-	86	-	86
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (19,260)</u>	<u>\$ (17,328)</u>	<u>\$ (1,413)</u>	<u>\$ 901</u>	<u>\$ (37,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	<u>\$ 386</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679</u>
Net Increase (Decrease) in Cash and Cash Equivalents ...	\$ 1,450	\$ (19,062)	\$ 4,803	\$ (2,119)	\$ (14,928)
Cash and Cash Equivalents - Beginning	<u>16,192</u>	<u>23,365</u>	<u>7,539</u>	<u>3,072</u>	<u>50,168</u>
Cash and Cash Equivalents - Ending	<u>\$ 17,642</u>	<u>\$ 4,303</u>	<u>\$ 12,342</u>	<u>\$ 953</u>	<u>\$ 35,240</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 17,642	\$ 588	\$ 12,342	\$ 953	\$ 31,525
Restricted Cash	-	3,715	-	-	3,715
	<u>\$ 17,642</u>	<u>\$ 4,303</u>	<u>\$ 12,342</u>	<u>\$ 953</u>	<u>\$ 35,240</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 23,884	\$ 9,017	\$ 17,485	\$ (332)	\$ 50,054
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation.....	12,027	3,707	2,190	713	18,637
Changes in assets and liabilities:					
Receivables	(3,309)	966	-	(2,466)	(4,809)
Due from other funds	(11,250)	(283)	-	(193)	(11,726)
Inventories	350	3	-	-	353
Prepaid items	16	-	(1)	-	15
Deferred charges	-	15	-	-	15
Other assets	68	-	-	-	68
Accounts payable	(1,365)	393	(149)	(2,026)	(3,147)
Accrued liabilities	41	51	55	(7)	140
Due to other funds	-	(12,051)	-	2,496	(9,555)
Deferred revenue	441	-	42	-	483
Net Cash Provided by (Used for) Operating Activities	<u>\$ 20,903</u>	<u>\$ 1,818</u>	<u>\$ 19,622</u>	<u>\$ (1,815)</u>	<u>\$ 40,528</u>

Non-cash Activities:

During the year, the city disposed of parking assets of \$535 net book value.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$356.

During the year, the Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$2,689.

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 112	\$ 2,207	\$ 247,531
Investments	-	5,414	-
Receivables (net):			
Taxes	-	-	1
Notes and loans	-	467	-
Restricted Assets:			
Investments	<u>340,802</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 340,914</u>	<u>\$ 8,088</u>	<u>\$ 247,532</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 309	\$ 16	\$ 2,406
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>245,126</u>
Total Liabilities	<u>\$ 309</u>	<u>\$ 16</u>	<u>\$ 247,532</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 340,605</u>	<u>\$ 8,072</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 27,515	\$ -
Employer	3,434	-
Private donations	-	1,646
Total Contributions	<u>\$ 30,949</u>	<u>\$ 1,646</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments	\$ (34,103)	\$ 396
Interest	117	317
Total Investment Earnings	<u>\$ (33,986)</u>	<u>\$ 713</u>
Total Additions	<u>\$ (3,037)</u>	<u>\$ 2,359</u>
Deductions		
Benefits	\$ 30,551	\$ -
Fees remitted from Trust	-	571
Other	-	944
Administrative expenses	331	-
Total Deductions	<u>\$ 30,882</u>	<u>\$ 1,515</u>
Change in Net Assets	\$ (33,919)	\$ 844
Net Assets - Beginning as Restated	<u>374,524</u>	<u>7,228</u>
Net Assets - Ending	<u>\$340,605</u>	<u>\$ 8,072</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2002
 (Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 17,545	\$ 16,191	\$ 18,764	\$ 2,880	\$ 55,380
Investments	13,380	20,372	729	300	34,781
Receivables (net):					
Accounts	479	1,059	-	390	1,928
Notes and loans	7,463	18,639	29,314	14,744	70,160
Accrued interest	-	149	334	178	661
Due from primary government	-	-	-	911	911
Due from other governmental agencies	5,820	1,500	3,322	-	10,642
Inventory of property for resale	-	7,909	-	2,283	10,192
Prepaid items	2,366	-	-	2	2,368
Other assets	<u>632</u>	<u>1,011</u>	<u>529</u>	<u>-</u>	<u>2,172</u>
Total Noncapital Assets	<u>\$ 47,685</u>	<u>\$ 66,830</u>	<u>\$ 52,992</u>	<u>\$ 21,688</u>	<u>\$ 189,195</u>
Capital assets:					
Capital assets not being depreciated:					
Land	\$ 39,600	\$ 9,107	\$ -	\$ -	\$ 48,707
Construction work in progress	50,611	8,093	-	-	58,704
Capital assets being depreciated:.....					
Buildings	282,859	-	-	-	282,859
Improvements other than buildings	204	-	-	-	204
Machinery and equipment	3,366	-	55	82	3,503
Accumulated depreciation	<u>(151,956)</u>	<u>-</u>	<u>(30)</u>	<u>(44)</u>	<u>(152,030)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 224,684</u>	<u>\$ 17,200</u>	<u>\$ 25</u>	<u>\$ 38</u>	<u>\$ 241,947</u>
Total Assets	<u>\$ 272,369</u>	<u>\$ 84,030</u>	<u>\$ 53,017</u>	<u>\$ 21,726</u>	<u>\$ 431,142</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 8,582	\$ 3,054	\$ 138	\$ 410	\$ 12,184
Accrued expenses	2,639	65	-	-	2,704
Due to primary government	1,880	-	-	2,117	3,997
Due to other governmental agencies	-	3,322	-	-	3,322
Bonds and notes payable - current	555	-	-	1,782	2,337
Deferred revenue	209	-	841	237	1,287
Other liabilities	1,108	7,334	-	125	8,567
Total Current Liabilities	<u>\$ 14,973</u>	<u>\$ 13,775</u>	<u>\$ 979</u>	<u>\$ 4,671</u>	<u>\$ 34,398</u>
Noncurrent Liabilities:					
Due to primary government	\$ -	\$ 17,239	\$ 2,406	\$ -	\$ 19,645
Deferred revenue	-	2,627	-	-	2,627
Other liabilities	9,650	1,738	-	-	11,388
Notes payable	8,874	-	-	-	8,874
Revenue bonds payable	16,428	27,504	-	-	43,932
Advances from other organizations	1,500	-	-	-	1,500
Total Noncurrent Liabilities	<u>\$ 36,452</u>	<u>\$ 49,108</u>	<u>\$ 2,406</u>	<u>\$ -</u>	<u>\$ 87,966</u>
Total Liabilities	<u>\$ 51,425</u>	<u>\$ 62,883</u>	<u>\$ 3,385</u>	<u>\$ 4,671</u>	<u>\$ 122,364</u>
NET ASSETS:					
Invested in capital assets, net of related debt ...	\$ 203,868	\$ 6,757	\$ 25	\$ 38	\$ 210,688
Restricted	2,057	-	777	14,426	17,260
Unrestricted	15,019	14,390	48,830	2,591	80,830
Total Net Assets	<u>\$ 220,944</u>	<u>\$ 21,147</u>	<u>\$ 49,632</u>	<u>\$ 17,055</u>	<u>\$ 308,778</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Housing Authority				
Low income housing	\$ 69,483	\$ 17,004	\$ 36,612	\$ 12,756
Redevelopment Authority				
Prevention and elimination of blight	5,459	592	-	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	1,317	2,148	-	30
Neighborhood Improvement Development Corp.				
Housing improvements	<u>6,626</u>	<u>2,457</u>	<u>4,871</u>	<u>215</u>
 Total Component Units	 <u>\$ 82,885</u>	 <u>\$ 22,201</u>	 <u>\$ 41,483</u>	 <u>\$ 13,001</u>

General revenues:

Payment from City of Milwaukee

Grants, entitlements, and contributions not
restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Total General Revenues

Change in Net Assets.....

Net Assets - Beginning, as Restated

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (3,111)	\$ -	\$ -	\$ -	\$ (3,111)
-	(4,867)	-	-	(4,867)
-	-	861	-	861
-	-	-	917	917
<u>\$ (3,111)</u>	<u>\$ (4,867)</u>	<u>\$ 861</u>	<u>\$ 917</u>	<u>\$ (6,200)</u>
\$ -	\$ 1,865	\$ -	\$ -	\$ 1,865
-	508	-	-	508
827	1,127	298	37	2,289
<u>57</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>332</u>
<u>\$ 884</u>	<u>\$ 3,775</u>	<u>\$ 298</u>	<u>\$ 37</u>	<u>\$ 4,994</u>
\$ (2,227)	\$ (1,092)	\$ 1,159	\$ 954	\$ (1,206)
<u>223,171</u>	<u>22,239</u>	<u>48,473</u>	<u>16,101</u>	<u>309,984</u>
<u>\$220,944</u>	<u>\$ 21,147</u>	<u>\$ 49,632</u>	<u>\$ 17,055</u>	<u>\$308,778</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a nonprofit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works - All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

Additionally, the City reports the following fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for the City's deferred compensation plan, employee flexible spending and group life insurance.

CITY OF MILWAUKEE
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Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2002 that will be collected in 2003 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

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- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Unbilled Services

Unbilled water and sewer services at year end are recognized as revenues and receivables in the accompanying financial statements.

H. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

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I. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

J. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

K. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

L. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

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M. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

N. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

O. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

P. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

R. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

S. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF MILWAUKEE
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Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

T. Interfund Transactions

The City has the following types of interfund transactions:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Accounting Change

Effective January 1, 2002, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. These Statements establish new financial reporting requirements and significantly change the format and content of the City's financial statements. They require new information and restructure much of the information that the City has presented in the past.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. The Government-wide financial statements include a statement of net assets and statement of activities. These financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units. The City's statement of net assets includes both non-current assets and non-current liabilities of the City, which were previously reported in the General Fixed Assets Account Group and the General Long-term Obligations Account Group, respectively. In addition to the capital assets previously reported in the General Fixed Assets Account Group, the City retroactively capitalized all infrastructure assets.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting for the City's governmental funds is similar to that previously presented in the City's financial statements.

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Statement No. 34 also requires, as required supplementary information, a Management's Discussion and Analysis, which includes analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the adopted and modified General Fund budget with actual results.

In connection with the adoption of GASB No. 34, the City and its component unit, NIDC, have restated beginning fund balances/net assets as follows:

	Nonmajor Governmental Fund	Sewer Maintenance Fund	NIDC
	<i>(Thousands of Dollars)</i>		
Fund Balance/net assets, December 31, 2001, as previously reported	\$ 22,746	\$ 185,662	\$ 10,598
Adjustment to defer taxes that are not considered available to finance current operations	(3,554)	-	-
Adjustment to decrease net capital asset balances.....	-	(1,752)	-
Adjustment to recognized forgivable loans receivable	-	-	5,503
Fund balance/net assets, January 1, 2002, as restated	<u>\$ 19,192</u>	<u>\$ 183,910</u>	<u>\$ 16,101</u>

Effective January 1, 2002, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement note disclosures. The financial statements have been prepared in conformance with this Statement.

Effective January 1, 2002, the City adopted the provisions of Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This Interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in governmental funds. There was no significant impact on the City's financial statements as a result of adopting this Interpretation.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Combined Balance Sheet. The Debt Service Funds, Water Works Enterprise Fund, and component units maintain separate cash and investments. In addition, investments are separately held by several other City funds. No violations of legal provisions for deposits and investments were committed during the year.

Deposits

At December 31, 2002, the reported amount of the City's deposits and cash on hand for governmental and business-type activities was \$73,973,000 and the related bank balance was \$74,424,000. Of the total bank balances, which are maintained by the City Treasurer, \$2,800,000 is entirely insured and \$49,641,000 is collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$21,983,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year.

At December 31, 2002, the reported amount of the City's deposits and cash on hand for component units was \$15,584,085 and the related bank balance was \$17,632,214. Of the components units deposits \$7,513,569 are entirely insured and \$10,118,645 are uninsured and collateralized at the end of the year.

CITY OF MILWAUKEE
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Cash Equivalents and Investments

The City's primary government and component units cash equivalents and investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured or unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Cash and investments with fiscal agents include \$7,521,115 placed in trust for Housing Authority debt retirement, \$19,029,126 for Redevelopment Authority debt retirement, and \$420,000 for Disadvantaged Business Enterprise programs.

Governmental and business-type activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	\$ -	\$ 54,310	\$ -	\$ 54,310	\$ 54,310
Municipal Bonds and Notes	-	-	-	7,704	7,704
	<u>\$ -</u>	<u>\$ 54,310</u>	<u>\$ -</u>	<u>\$ 62,014</u>	<u>\$ 62,014</u>
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				3,991	3,991
Local Government Pooled - Investment Fund				184,616	184,616
Government Mutual Fund				26,865	26,865
Total Cash Equivalents and Investments				<u>\$ 277,486</u>	<u>\$ 277,486</u>
Fiduciary activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	<u>\$ -</u>	<u>\$ 5,414</u>	<u>\$ -</u>	\$ 5,414	\$ 5,414
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				144	144
Local Government Pooled - Investment Fund				249,706	249,706
Deferred Compensation Investments				340,802	340,802
Total Cash Equivalents and Investments				<u>\$ 596,066</u>	<u>\$ 596,066</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
Federal Home Loan Bank Notes	\$ -	\$ -	\$ 4,072	\$ 4,072	\$ 4,072
Federal National Mortgage Association	-	-	1,968	1,968	1,968
Other securities	12,220	-	-	12,220	12,220
	<u>\$ 12,220</u>	<u>\$ -</u>	<u>\$ 6,040</u>	<u>\$ 18,260</u>	<u>\$ 18,260</u>
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				7,521	7,521
Local Government Pooled - Investment Fund				40,101	40,101
U.S. Government Money Market				4,009	4,009
Short-term Money Market				4,387	4,387
Investments in partnerships				299	299
Total Cash Equivalents and Investments				<u>\$ 74,577</u>	<u>\$ 74,577</u>

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The pooled investments have not been categorized based on custodial risk because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2002, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
1997 and prior	\$ 1,208	\$ 1,992	\$ 3,200
1998	305	502	807
1999	317	552	869
2000	1,059	1,844	2,903
2001	<u>4,779</u>	<u>8,957</u>	<u>13,736</u>
Total delinquent property taxes receivable	<u>\$ 7,668</u>	<u>\$ 13,847</u>	\$ 21,515
Property taxes receivable on foreclosed property			15,752
Less: Allowance for uncollectible taxes			<u>(13,070)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 24,197</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002 was as follows:

	Balance 01-01-02	Additions	Deletions	Balance 12-31-02
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 162,342	\$ -	\$ -	\$ 162,342
Construction in progress	<u>98,611</u>	<u>56,152</u>	<u>(88,799)</u>	<u>65,964</u>
Total capital assets not being depreciated	<u>260,953</u>	<u>56,152</u>	<u>(88,799)</u>	<u>228,306</u>
<i>Capital assets being depreciated:</i>				
Buildings	105,966	11,759	-	117,725
Infrastructure.....	1,145,466	76,306	-	1,221,772
Improvements other than buildings	7,465	734	-	8,199
Machinery and Equipment	<u>90,152</u>	<u>7,232</u>	<u>-</u>	<u>97,384</u>
Total capital assets being depreciated	<u>1,349,049</u>	<u>96,031</u>	<u>-</u>	<u>1,445,080</u>
Less accumulated depreciation for:				
Buildings	54,732	2,439	-	57,171
Infrastructure	679,230	30,868	-	710,098
Improvements other than buildings	6,125	211	-	6,336
Machinery and equipment	<u>65,883</u>	<u>6,184</u>	<u>-</u>	<u>72,067</u>
Total accumulated depreciation	<u>805,970</u>	<u>39,702</u>	<u>-</u>	<u>845,672</u>
Total capital assets being depreciated, net	<u>543,079</u>	<u>56,329</u>	<u>-</u>	<u>599,408</u>
Government activity capital assets, net	<u>\$ 804,032</u>	<u>\$ 112,481</u>	<u>\$ (88,799)</u>	<u>\$ 827,714</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 137
Public safety				3,223
Public works				35,917
Health				38
Culture and recreation				384
Conservation and development				<u>3</u>
Total				<u>\$ 39,702</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance 01-01-02	Additions	Deletions	Balance 12-31-02
Business-type activities		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,585	\$ -	\$ -	\$ 1,585
Construction in progress	<u>10,167</u>	<u>11,238</u>	<u>9,195</u>	<u>12,210</u>
Total capital assets not being depreciated	<u>11,752</u>	<u>11,238</u>	<u>9,195</u>	<u>13,795</u>
<i>Capital assets being depreciated:</i>				
Buildings	22,430	-	-	22,430
Infrastructure	255,132	6,943	432	261,643
Machinery and equipment	187,521	2,252	1,077	188,696
Nonutility property	<u>540</u>	<u>-</u>	<u>-</u>	<u>540</u>
Total capital assets being depreciated	<u>465,623</u>	<u>9,195</u>	<u>1,509</u>	<u>473,309</u>
Less accumulated depreciation for:				
Buildings	11,545	705	-	12,250
Infrastructure	61,428	3,058	293	64,193
Machinery and equipment	53,336	8,265	1,024	60,577
Nonutility property	<u>121</u>	<u>2</u>	<u>-</u>	<u>123</u>
Total accumulated depreciation	<u>126,430</u>	<u>12,030</u>	<u>1,317</u>	<u>137,143</u>
Total capital assets being depreciated, net	<u>339,193</u>	<u>(2,835)</u>	<u>192</u>	<u>336,166</u>
Waterworks capital assets, net	<u>\$ 350,945</u>	<u>\$ 8,403</u>	<u>\$ 9,387</u>	<u>\$ 349,961</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 9,978	\$ 15,721	\$ 8,575	\$ 17,124
Total capital assets not being depreciated	<u>9,978</u>	<u>15,721</u>	<u>8,575</u>	<u>17,124</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	265,856	8,617	2,709	271,764
Machinery and equipment	1,035	253	-	1,288
Furniture and furnishings	<u>47</u>	<u>16</u>	<u>41</u>	<u>22</u>
Total capital assets being depreciated	<u>266,938</u>	<u>8,886</u>	<u>2,750</u>	<u>273,074</u>
Less accumulated depreciation for:				
Infrastructure	81,756	3,573	909	84,420
Machinery and equipment	285	187	-	472
Furniture and furnishings	<u>47</u>	<u>2</u>	<u>41</u>	<u>8</u>
Total accumulated depreciation	<u>82,088</u>	<u>3,762</u>	<u>950</u>	<u>84,900</u>
Total capital assets being depreciated, net	<u>184,850</u>	<u>5,124</u>	<u>1,800</u>	<u>188,174</u>
Sewer maintenance capital assets, net	<u>\$ 194,828</u>	<u>\$ 20,845</u>	<u>\$ 10,375</u>	<u>\$ 205,298</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance 01-01-02	Additions	Deletions	Balance 12-31-02
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,854	\$ 100	\$ 539	\$ 9,415
Total capital assets not being depreciated	<u>9,854</u>	<u>100</u>	<u>539</u>	<u>9,415</u>
<i>Capital assets being depreciated:</i>				
Buildings	48,326	709	-	49,035
Improvements other than buildings	5,669	192	422	5,439
Machinery and equipment	<u>474</u>	<u>118</u>	<u>-</u>	<u>592</u>
Total capital assets being depreciated	<u>54,469</u>	<u>1,019</u>	<u>422</u>	<u>55,066</u>
Less accumulated depreciation for:				
Buildings	14,669	1,886	-	16,555
Improvements other than buildings	2,333	304	327	2,310
Machinery and equipment	<u>67</u>	<u>70</u>	<u>-</u>	<u>137</u>
Total accumulated depreciation	<u>17,069</u>	<u>2,260</u>	<u>327</u>	<u>19,002</u>
Total capital assets being depreciated, net	<u>37,400</u>	<u>(1,241)</u>	<u>95</u>	<u>36,064</u>
Parking capital assets, net	<u>\$ 47,254</u>	<u>\$ (1,141)</u>	<u>\$ 634</u>	<u>\$ 45,479</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,280	\$ -	\$ -	\$ 8,280
Total capital assets not being depreciated	<u>8,280</u>	<u>-</u>	<u>-</u>	<u>8,280</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,699	-	-	9,699
Improvements other than buildings	17,681	-	110	17,571
Machinery and equipment	4,835	-	-	4,835
Furniture and Furnishings	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Total capital assets being depreciated	<u>32,246</u>	<u>-</u>	<u>110</u>	<u>32,136</u>
Less accumulated depreciation for:				
Buildings	5,925	153	-	6,078
Improvements other than buildings	11,928	370	110	12,188
Machinery and equipment	3,031	186	-	3,217
Furniture and furnishings	<u>26</u>	<u>4</u>	<u>-</u>	<u>30</u>
Total accumulated depreciation	<u>20,910</u>	<u>713</u>	<u>110</u>	<u>21,513</u>
Total capital assets being depreciated, net	<u>11,336</u>	<u>(713)</u>	<u>-</u>	<u>10,623</u>
Other business-type activities, net	<u>\$ 19,616</u>	<u>\$ (713)</u>	<u>\$ -</u>	<u>\$ 18,903</u>
Business-type activity capital assets, net	<u>\$ 612,643</u>	<u>\$ 27,394</u>	<u>\$ 20,396</u>	<u>\$ 619,641</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance 01-01-02	Additions	Deletions	Balance 12-31-02
	<i>(Thousands of Dollars)</i>			
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 46,410	\$ 2,751	\$ 454	\$ 48,707
Construction in Progress	<u>38,353</u>	<u>20,540</u>	<u>189</u>	<u>58,704</u>
Total capital assets not being depreciated	<u>84,763</u>	<u>23,291</u>	<u>643</u>	<u>107,411</u>
<i>Capital assets being depreciated:</i>				
Buildings	276,045	7,532	718	282,859
Improvements other than buildings	204	-	-	204
Machinery and equipment	<u>3,883</u>	<u>110</u>	<u>490</u>	<u>3,503</u>
Total capital assets being depreciated	<u>280,132</u>	<u>7,642</u>	<u>1,208</u>	<u>286,566</u>
Less accumulated depreciation for:				
Buildings	134,393	14,810	134	149,069
Improvements other than buildings	10	20	-	30
Machinery and equipment	<u>2,956</u>	<u>430</u>	<u>455</u>	<u>2,931</u>
Total accumulated depreciation	<u>137,359</u>	<u>15,260</u>	<u>589</u>	<u>152,030</u>
Total capital assets being depreciated, net ..	<u>142,773</u>	<u>(7,618)</u>	<u>619</u>	<u>134,536</u>
Component units capital assets, net	<u>\$ 227,536</u>	<u>\$ 15,673</u>	<u>\$ 1,262</u>	<u>\$ 241,947</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>				
Current property taxes	\$ 131,672	\$ 66,884	\$ 11,414	\$ -	\$ 209,970
Delinquent property taxes	4,779	-	-	2,889	7,668
Unearned revenue	861	-	4,147	7,505	12,513
Long-term receivables	-	43,094	-	5,695	48,789
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>8,740</u>	<u>-</u>	<u>8,740</u>
Total	<u>\$ 137,312</u>	<u>\$ 109,978</u>	<u>\$ 24,301</u>	<u>\$ 16,089</u>	<u>\$ 287,680</u>

6. SHORT-TERM DEBT

During 2002, the City defeased \$102,000,000 of Revenue Anticipation Notes (RANs) which come due in the first half of 2003 by placing funds in an irrevocable trust with a financial institution. These RANs are not outstanding at year end on the City's Financial Statements. The RANs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2002.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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As of December 31, 2001, the City had outstanding \$112,000,000 of short-term RANs on behalf of Milwaukee Public Schools. In 2002, the City repaid the outstanding balance and issued \$133,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 2.75% and will mature on August 28, 2003. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2002 were as follows:

	Balance 01-01-02	New Issues	Repayments	Balance 12-31-02	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Governmental activities:					
General obligation bonds and notes					
City	\$ 466,837	\$ 189,563	\$ 172,697	\$ 483,703	\$ 62,779
Milwaukee Public Schools	99,592	50,319	42,459	107,452	12,593
Deferred amount on refundings	-	(11,864)	(272)	(11,592)	-
Unamortized premiums	-	19,313	537	18,776	-
Compensated absences	33,360	5,143	1,644	36,859	3,462
Claims and judgments	36,945	13,319	16,221	34,043	10,760
Total governmental activities	<u>\$ 636,734</u>	<u>\$ 265,793</u>	<u>\$ 233,286</u>	<u>\$ 669,241</u>	<u>\$ 89,594</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 47,858	\$ 17,953	\$ 23,322	\$ 42,489	\$ 4,680
Deferred amount on refundings	(73)	(1,704)	(60)	(1,717)	-
Unamortized premiums	-	2,033	38	1,995	-
Revenue bonds	16,030	-	699	15,331	783
Compensated absences	-	-	-	943	943
Total Water Works	<u>\$ 63,815</u>	<u>\$ 18,282</u>	<u>\$ 23,999</u>	<u>\$ 59,041</u>	<u>\$ 6,406</u>
Sewer Maintenance					
Revenue bonds	\$ 29,095	\$ -	\$ -	\$ 29,095	\$ 1,000
Unamortized premiums	753	-	38	715	-
Total sewer maintenance	<u>\$ 29,848</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 29,810</u>	<u>\$ 1,000</u>
Parking					
General obligation bonds and notes	\$ 25,557	\$ 4,960	\$ 7,928	\$ 22,589	\$ 3,746
Deferred amount on refundings	(84)	(412)	(32)	(464)	-
Unamortized premiums	-	491	9	482	-
Total parking	<u>\$ 25,473</u>	<u>\$ 5,039</u>	<u>\$ 7,905</u>	<u>\$ 22,607</u>	<u>\$ 3,746</u>
Other Enterprise Funds					
General obligation bonds and notes	\$ 3,539	\$ 1,215	\$ 1,438	\$ 3,316	\$ 366
Deferred amount on refundings	4	(101)	(3)	(94)	-
Unamortized premiums	-	120	3	117	-
Total Other Enterprise	<u>\$ 3,543</u>	<u>\$ 1,234</u>	<u>\$ 1,438</u>	<u>\$ 3,339</u>	<u>\$ 366</u>
Total business-type activities	<u>\$ 122,679</u>	<u>\$ 24,555</u>	<u>\$ 33,380</u>	<u>\$ 114,797</u>	<u>\$ 11,518</u>

CITY OF MILWAUKEE
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Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

	Balance 01-01-02	New Issues	Repayments	Balance 12-31-02	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 12,684	\$ 37,900	\$ 5,994	\$ 44,590	\$ 517
Deferred amount on refundings	(323)	-	(323)	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	-	(144)	(4)	(140)	-
Notes payable	8,439	503	29	8,913	36
Advance from other organizations	7,963	-	6,463	1,500	2
Total component units	<u>\$ 28,763</u>	<u>\$ 38,259</u>	<u>\$ 12,159</u>	<u>\$ 54,863</u>	<u>\$ 555</u>

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Combined Balance Sheet.

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2002, general obligation bonds totaling \$217,457,000 was issued to refund general obligation bonds and to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2002, \$135,412,000 has been borrowed for thirty-eight tax incremental districts (TID). Total debt service requirements associated with this debt issues amount to \$113,736,000. Tax increments received through 2002 total \$86,467,000. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$107,452,000 of Milwaukee Public School long-term debt outstanding at December 31, 2002 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2002, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$610,349,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2002, the City did not issue revenue bonds.

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2002, revenue bonds totaling \$37,900,000 were issued to construct housing projects and purchase mortgage-backed securities.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2002, installment loans totaling \$22,425,000 were issued to provide the school district cashflow, finance building projects and purchase 2001's delinquent taxes.

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Governmental activities					
2003	\$ 75,372	\$ 27,759	\$ -	\$ -	\$ 103,131
2004	62,386	25,360	-	-	87,746
2005	58,302	22,486	-	-	80,788
2006	52,865	19,587	-	-	72,452
2007	50,109	16,957	-	-	67,066
2008-2012	193,522	51,878	-	-	245,400
2013-2017	92,304	13,012	-	-	105,316
2018-2022	6,295	338	-	-	6,633
Total	<u>\$ 591,155</u>	<u>\$ 177,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,532</u>
Business-type activities					
Water Works					
2003	\$ 4,680	\$ 1,969	\$ 782	\$ 394	\$ 7,825
2004	5,008	1,859	803	373	8,043
2005	4,852	1,613	824	352	7,641
2006	4,692	1,358	846	330	7,226
2007	3,362	1,120	868	307	5,657
2008-2012	12,782	3,693	4,698	1,176	22,349
2013-2017	7,067	807	5,352	513	13,739
2018-2022	46	3	1,158	15	1,222
Total	<u>\$ 42,489</u>	<u>\$ 12,422</u>	<u>\$ 15,331</u>	<u>\$ 3,460</u>	<u>\$ 73,702</u>

CITY OF MILWAUKEE
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 FOR THE YEAR ENDED DECEMBER 31, 2002

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Business-type activities					
Sewer Maintenance					
2003	\$ -	\$ -	\$ 1,000	\$ 1,340	\$ 2,340
2004	-	-	1,035	1,304	2,339
2005	-	-	1,080	1,259	2,339
2006	-	-	1,135	1,204	2,339
2007	-	-	1,190	1,153	2,343
2008-2012	-	-	6,705	5,004	11,709
2013-2017	-	-	8,455	3,249	11,704
2018-2022	-	-	8,495	868	9,363
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,095</u>	<u>\$ 15,381</u>	<u>\$ 44,476</u>
Parking					
2003	\$ 3,746	\$ 989	\$ -	\$ -	\$ 4,735
2004	3,693	865	-	-	4,558
2005	3,646	712	-	-	4,358
2006	1,894	554	-	-	2,448
2007	1,868	461	-	-	2,329
2008-2012	5,814	1,197	-	-	7,011
2013-2017	1,924	221	-	-	2,145
2018-2022	4	-	-	-	4
Total	<u>\$ 22,589</u>	<u>\$ 4,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,588</u>
Other Enterprise					
2003	\$ 366	\$ 156	\$ -	\$ -	\$ 522
2004	350	146	-	-	496
2005	338	129	-	-	467
2006	309	112	-	-	421
2007	276	97	-	-	373
2008-2012	1,212	285	-	-	1,497
2013-2017	465	54	-	-	519
Total	<u>\$ 3,316</u>	<u>\$ 979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,295</u>
Component Units					
2003	\$ 517	\$ 1,523	\$ 38	\$ 378	\$ 2,456
2004	901	1,139	40	370	2,450
2005	943	1,099	43	367	2,452
2006	987	1,055	46	363	2,451
2007	1,037	1,008	50	359	2,454
2008-2012	2,639	4,493	318	1,729	9,179
2013-2017	3,532	3,601	1,471	1,576	10,180
2018-2022	8,634	2,413	540	1,356	12,943
2023-2027	25,400	1,097	35	1,260	27,792
2028-2032	-	-	45	1,249	1,294
2033-2037	-	-	58	1,236	1,294
2038-2042	-	-	4,863	967	5,830
2043-2047	-	-	1,307	32	1,339
2048-2051	-	-	59	7	66
Total	<u>\$ 44,590</u>	<u>\$ 17,428</u>	<u>\$ 8,913</u>	<u>\$ 11,249</u>	<u>\$ 82,180</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2002, the City's legal debt margin was \$1,420,887,000. Of this amount, \$405,968,000 was for school purposes and \$1,014,919,000 was for City purposes.

G. Refundings

During October 2002, the City issued two series of general obligation refunding bonds. The first issue, Series of 2002-A (tax-exempt) was in the par amount of \$159,985,000 and carries interest rates between 2.5 and 5.25% for the purpose of current and advance refunding \$169,920,000 of existing general obligation bonds and notes. This refunding will reduce the future debt service payments by \$7,550,000 and result in an economic gain of \$5,470,000.

The second issue, Series of 2002-B (taxable) was in the par amount of \$1,415,000 and carries interest rates between 5.8 and 6.75% for the purpose of current refunding \$1,415,000 of existing general obligation debt. This refunding will reduce the future debt service payments by \$24,000 and result in an economic gain of \$21,000.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2002, \$181,245,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2002 is approximately \$90,135,000, \$55,395,000, and \$301,000,000 for the City, HACM, and RACM, respectively.

8. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 6%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2002, 2001, and 2000 were \$20,233,000, \$20,288,000, and \$20,693,000, respectively, equal to the required contributions on behalf of the plan members for each year.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

Other Postemployment Benefits

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,914 employees are eligible to receive these benefits. For 2002, the City paid approximately \$21,364,000 toward medical insurance for its retirees.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

For 2002, the groups rate for life insurance for the City population as a whole was approximately fifty cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$970,000 out of a total \$3,487,000 for group life insurance for 2002 is attributable to approximately 5,076 retirees on the basis of the common group life rate.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2002, approximately \$8,776,000 was paid for sick leave from all funds. At December 31, 2002, accumulated sick leave earned but not taken totaled approximately \$104,336,000 determined on the basis of current salary rates.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2002 terminal leave payments totaled \$1,683,000 to employees retiring during the year. As of December 31, 2002, the City has accrued approximately \$22,032,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$36,860,000, with the remainder accrued vacation leave of \$14,828,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$43,045,000 at December 31, 2002, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$13,027,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$13,027,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Deficit Fund Equity

The Capital Projects Fund - Special Assessments fund deficit of \$11,897,000 is the result of expending funds of \$13,180,000 for construction in advance of collecting assessments from the property owners. Upon project completion, the properties are assessed, thus reducing this deficit when the payments are received.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2002, were as follows:

Due From Other Funds					
	General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		(Thousands of Dollars)			
Due to Other Funds	General Fund	\$ -	\$ 3,757	\$ -	\$ 3,757
	General Obligation Debt	1,195	6,649	-	7,844
	Nonmajor Governmental Funds	7,406	-	-	7,406
	Water Works	-	509	492	1,549
	Nonmajor Proprietary Funds ..	<u>2,762</u>	-	-	<u>2,762</u>
	Totals	<u>\$ 11,363</u>	<u>\$ 10,915</u>	<u>\$ 492</u>	<u>\$ 23,318</u>

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, (4) and funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Interfund transfers for the year ended December 31, 2002 were as follows:

Transfers From Other Funds					
	General Fund	General Obligation Debt Service	Water Works Fund	Nonmajor Proprietary Funds	Total
	<i>(Thousands of Dollars)</i>				
Transfers to Other Funds					
General Fund	\$ -	\$ -	\$ -	\$ 3	\$ 3
General Obligation Debt	5,367	-	7,395	529	13,291
Capital Projects Funds	-	5,016	-	-	5,016
Nonmajor Governmental Funds	4,934	13,381	-	-	18,315
Water Works	7,974	-	-	-	7,974
Parking	9,471	424	-	-	9,895
Nonmajor Proprietary Funds ...	1,209	-	-	-	1,209
Totals	<u>\$ 28,955</u>	<u>\$ 18,821</u>	<u>\$ 7,395</u>	<u>\$ 532</u>	<u>\$ 55,703</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them. (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2002, consist of the following:

Component Unit Payable	Primary Government's Receivable
	<i>(Thousands of Dollars)</i>
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	\$ 17,239
Due from MEDC for tax incremental district loans	2,406
Due from HACM for payment in lieu of taxes and reimbursable expenditures	1,880
Due from NIDC for reimbursements for expenditures	<u>2,117</u>
Total	<u>\$ 23,642</u>
 Component Unit Receivable	 Primary Government's Payable
	<i>(Thousands of Dollars)</i>
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>\$ 911</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

12. OPERATING LEASES

The City leases various properties under operating lease agreements expiring at various dates through 2007 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
<i>(Thousands of Dollars)</i>	
2003	\$ 1,801
2004	1,811
2005	1,977
2006	1,723
2007	1,732
2008-2012	6,799
2013-2017	7,444
2018-2022	<u>5,381</u>
Total	<u>\$ 28,668</u>

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statement.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide statements.

The liabilities recorded in the government-wide statements are as follows:

General liability claims	\$ 20,286,000
Workers' compensation claims	5,396,000
Unemployment claims	1,079,000
Health insurance claims	7,282,000

Changes in the balances of claim liabilities during the past two years are as follows:

	2002	2001
Beginning of year liability	\$ 36,945,000	\$ 43,520,000
Current year claims and changes in estimates	13,319,000	14,939,000
Claim payments	<u>(16,221,000)</u>	<u>(21,514,000)</u>
End of year liability	<u>\$ 34,043,000</u>	<u>\$ 36,945,000</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

The Milwaukee Police Association filed suit against the City and the Milwaukee Employees' Retirement System as a result of a City Ordinance passed in 1995 that merged the Retirement Fund with the Duty Disability Fund. Actuarial reports indicated that if the separate funds were merged, there were sufficient assets within the Employees' Retirement System to fund all retirement and disability liabilities without currently requiring additional contributions. In 1996, the Circuit Court granted summary judgment to the plaintiff declaring the merger to be unconstitutional. The court stayed enforcement of its order, insofar as any additional contribution of the City was concerned, to give the City the opportunity to appeal. In 1998, the Court of Appeals modified the Circuit Court's judgment; and the City's petition to the Wisconsin Supreme Court to accept a discretionary appeal of the Court of Appeals' decision was denied. As a result, the City was required to make contributions to fund an unfunded liability in the Duty Disability Fund.

The Equal Employment Opportunity Commission ("EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission ("FPC") and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit had been authorized against the City and the FPC. DOJ alleges that between 1991 and 1996, African-Americans were discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. In 2001 DOJ requested \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. The City considered that request unreasonable and urged DOJ re-consider its position. Since that time, DOJ has not responded. However, DOJ has declined to pursue litigation on behalf of seven of the charging parties and issued individual right to sue letters to them. To date, one suit has been served upon the City.

The Milwaukee Employees' Retirement System (MERS) is in the process of purchasing a computerized information system to assist in the administration of the City's pension system. The cost is expected to be in the range of \$11 to \$12 million. According to an agreement between the City and the MERS, the cost of the system is to be paid entirely by MERS. In this lawsuit, the Milwaukee Police Association alleges that the agreement between City and MERS limits MERS's obligation to pay for the information system to no more than \$3 million. If the suit is successful, the City might be liable to pay the remaining \$8 to \$9 million.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$800,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18 "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*" establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2002.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

Job Opportunity Bond Program

The Redevelopment Authority of the City of Milwaukee has issued certain Economic Development Bonds under the Job Opportunity Bond Program. Additional bonds may also be issued under this Program. These bonds are payable from a revenue fund to which the Authority has pledged and appropriated revenues to be received by the Authority from revenue agreements. In the event of an insufficiency of such revenues, these bonds are payable out of a program reserve fund and a common reserve fund maintained with respect to the program. In the event amounts available in these reserve funds fall below specified levels, the City has agreed, pursuant to the terms of the first amendment to the cooperation and pledge agreement, to consider making loans to the Authority to assist the Authority in maintaining the reserve funds at required levels. To date, the City has not loaned any funds for this purpose. This obligation is not enforceable by the Authority, the Trustee or the owners of the bonds against the City or the Common Council of the City or against any individual of the Council of the City or any officer or agent of the City.

14. SUBSEQUENT EVENTS

On April 3, 2003, the City issued \$20,580,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on March 15 of each year beginning 2004 until 2020. Interest is payable on March 15 and September 15 commencing September 15, 2003,

On April 3, 2003, the City issued \$13,855,000 of general obligation short-term promissory notes for the purpose of financing the purchase of 2001 real and personal property tax receivables. The notes mature on March 15 of each year beginning 2004 until 2009. Interest is payable on March 15 and September 15 commencing September 15, 2003.

On April 3, 2003, the City issued \$98,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 15, 2003 with interest.

On July 7, 2003, the Common Council of the City authorized refunding of all or any part of general obligation corporate purpose bonds, series J, L, R, T, W, Y and general obligation refunding bonds, series 1993.

On July 10, 2003, the City issued \$33,855,000 of sewerage system revenue bonds for financing the costs of improvements to the City's sewerage system. These bonds mature June 1 of each year beginning 2005 until 2023. Interest is payable on June 1 and December 1 and commencing December 1, 2003.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002
(Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 118,875	\$ 118,875	\$ 114,096	\$ (4,779)
Other taxes	2,198	2,212	2,944	732
Licenses and permits	9,558	9,558	10,814	1,256
Intergovernmental	282,750	282,750	283,068	318
Charges for services	50,664	50,986	57,749	6,763
Fines and forfeits	4,420	4,420	5,210	790
Other	9,363	9,363	8,706	(657)
Total Revenues	\$ 477,828	\$ 478,164	\$ 482,587	\$ 4,423
Expenditures:				
Current:				
General government	\$ 176,319	\$ 164,194	\$ 158,645	\$ 5,549
Public safety	205,688	211,615	211,163	452
Public works	90,859	90,729	88,094	2,635
Health	11,233	11,429	10,552	877
Culture and recreation	17,399	18,791	18,791	-
Conservation and development	8,358	8,434	7,857	577
Total Expenditures	\$ 509,856	\$ 505,192	\$ 495,102	\$ 10,090
Deficiency of Revenues over Expenditures	\$ (32,028)	\$ (27,028)	\$ (12,515)	\$ 14,513
Other Financing Sources (Uses):				
Transfers in	\$ 19,061	\$ 24,428	\$ 28,955	\$ 4,527
Transfers out	(3)	(3)	(3)	-
Contributions received	25,712	26,812	21,107	(5,705)
Contributions used	(25,327)	(21,084)	(20,378)	706
Use of fund balance - reserved for tax stabilization	11,000	11,000	11,000	-
Total Other Financing Sources and Uses	\$ 30,443	\$ 41,153	\$ 40,681	\$ (472)
Net Change in Fund Balance	\$ (1,585)	\$ 14,125	\$ 28,166	\$ 14,041
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	57,844	57,844	57,844	-
Fund Balance - Ending	\$ 56,259	\$ 71,969	\$ 86,010	\$ 14,041

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$11,000 at January 1, 2002.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

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APPENDIX B

Draft Forms of Legal Opinions

HAWKINS DELAFIELD & WOOD LLP

67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP

411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

CITY OF MILWAUKEE, WISCONSIN,
GENERAL OBLIGATION SHORT-TERM PROMISSORY NOTES,
SERIES 2004 N2, \$66,235,000

At your request, we have examined into the validity of an issue of \$66,235,000 General Obligation Short-Term Promissory Notes, Series 2004 N2 (the "Notes"), of the City of Milwaukee, Wisconsin (the "City"), dated May 6, 2004, in fully registered form, of the denomination of \$5,000 each or any integral multiple thereof, numbered R-1 upwards, payable without option of prior redemption on February 15 in each of the years and in the principal amounts set forth below, and bearing interest payable on August 15, 2004, and semiannually on each February 15 and August 15 thereafter at the rates per annum as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2005	\$14,840,000	2.00%	2010	\$5,770,000	5.00%
2006	8,295,000	5.00	2011	5,255,000	5.00
2007	6,180,000	5.00	2012	4,655,000	5.00
2008	5,975,000	5.00	2013	4,695,000	5.00
2009	5,835,000	5.00	2014	4,735,000	5.00

The Notes recite that they are issued to provide funds for the purpose of financing various public improvement projects of the City and fiscal requirements of the City, pursuant to and in all respects in compliance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12), of the Wisconsin Statutes, acts supplementary thereto, the Charter of the City and resolutions duly adopted by the Common Council of the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and issuance of the Notes, also a specimen Note. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto.

In our opinion, the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment of the Notes and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Notes, and the enforceability thereof, may be subject to the valid exercise of judicial discretion and of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Notes, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Notes. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP

67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP

411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS
SERIES 2004 B1, \$24,200,000

At your request, we have examined into the validity of an issue of \$24,200,000 General Obligation Corporate Purpose Bonds, Series 2004 B1 (the "Bonds"), of the City of Milwaukee, Wisconsin (the "City"), dated May 6, 2004, in fully registered form, of the denomination of \$5,000 each or any integral multiple thereof, numbered R-1 upwards, payable on February 15 in each of the years and in the principal amounts set forth below, and bearing interest payable on August 15, 2004 and semiannually on each February 15 and August 15 thereafter at the rates per annum as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$4,140,000	5.00%
2016	4,195,000	5.00
2017	4,260,000	5.00
2018	4,325,000	5.00
2019	4,390,000	5.00
2020	1,405,000	5.00
2021	1,485,000	5.00

The Bonds are subject to redemption prior to maturity on any date on and after February 15, 2014 upon the terms and conditions set forth therein.

The Bonds recite that they are issued for the purpose of financing certain improvements pursuant to and in all respects in compliance with Chapters 65 and 67 of the Wisconsin Statutes, and acts supplementary thereto, the Charter of the City and resolutions duly adopted by the Common Council of the City and the Commissioners of the Public Debt of the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of

the City and a certified transcript of proceedings relating to the authorization and issuance of the Bonds, also a specimen Bond. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

In our opinion, the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to judicial discretion, to the exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming compliance with certain tax covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP
67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller of the
City of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

**CITY OF MILWAUKEE, WISCONSIN,
REVENUE ANTICIPATION NOTES,
SERIES 2004 R3, \$66,000,000**

At your request, we have examined into the validity of an issue of \$66,000,000 Revenue Anticipation Notes, Series 2004 R3 (the "Notes") of the City of Milwaukee, Wisconsin (the "City"), dated May 6, 2004, maturing May 5, 2005 without option of prior redemption, in fully registered form, bearing interest payable May 5, 2005 at the rate of 3% per annum and numbered R-1.

The Notes recite that they are issued pursuant to the provisions of Section 67.12(1), Wisconsin Statutes, for the purpose of financing the operating budget of the City on an interim basis pending receipt of State shared revenue payments in the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and issuance of the Notes, also a specimen Note. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto.

In our opinion, (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, (ii) the City has pledged, and agreed to irrevocably segregate State shared revenue payments in an amount sufficient to pay the principal of and interest on the Notes at maturity, and (iii) the Notes and the interest thereon, are additionally secured by an irrevocable pledge of all other General Fund revenues included in the City's budget for calendar year 2004 which are due the City and not yet paid as of the date of delivery of and payment for the Notes and which are not otherwise applied.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof, may be subject to the valid exercise of judicial discretion and of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Notes, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Notes. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

Very truly yours,

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APPENDIX C

Master Continuing Disclosure Certificate

MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of March 1, 2004 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "City") and pursuant to resolution 031384 duly adopted by the Common Council of the City on February 10, 2004 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I - Definitions

Section 1.1. Definitions. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) "GASB" means the Governmental Accounting Standards Board.

(6) "Material Event" means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations; and
- (xi) rating changes.

(7) "Material Event Notice" means notice of a Material Event.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) "NRMSIR" means, at any time, a then existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs and filing information relating to such NRMSIR's are set forth in the Addendum Describing NRMSIRs (Exhibit A) as may be revised from time to time.

(10) "Offered Obligations" means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(11) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

- (13) "SEC" means the United States Securities and Exchange Commission.
- (14) "Security Holders" means the holders from time to time of Offered Obligations.
- (15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.
- (16) "State" means the State of Wisconsin.
- (17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.
- (18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to each NRMSIR and the SID.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR and (ii) the SID.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.7. No Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Unless otherwise required by law and, in the City's sole determination, subject to technical and economic feasibility, the City shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the City's information and notices.

ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.

(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate; (2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING NRMSIRs

This Addendum Describing NRMSIRs (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission.

Repositories and Contact Information

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Telephone: (609) 279-3225
Facsimile: (609) 279-5962
E-mail: munis@bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Telephone: (212) 771-6999
Facsimile: (212) 771-7390
(Secondary Market Information)
(212) 771-7391
(Primary Market Information)
E-mail: nrmsir@ftid.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER**

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.

In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the Issuer, (ii) expenditures made by the Issuer, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning interfund borrowings, (vi) pertinent information on significant pending litigation, (vii) balances, debt limit, and trends of outstanding Issuer obligations, and (viii) statistical information on the economic condition of the City of Milwaukee.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$24,200,000 General Obligation Corporate Purpose Bonds, Series 2004 B1
\$66,235,000 General Obligation Short-Term Promissory Notes, Series 2004 N2

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issues:

May 6, 2004

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this 6th day of May, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS**

This Addendum Describing Annual Report for Short-Term Obligations (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the content of Annual Financial Information prepared with respect to obligations maturing within 18 months of the date of issue. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

None. (Exception for securities with a stated maturity of 18 months or less).

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$66,000,000 Revenue Anticipation Notes, Series 2004 R3

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issues:

May 6, 2004

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this 6th day of May, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

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APPENDIX D

Specimen of Municipal Bond Insurance Policy-FSA



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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